



# **Best Practices In Group Dynamics And Micro-credit**

A workshop organised by  
**Department of Women  
and Child Development**  
in collaboration with  
**Gender Equality Fund,  
CIDA**

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# Workshop On Best Practices In Group Dynamics And Micro-credit



Department of Women and Child Development,  
Ministry of Human Resource Development,  
Government of India



Gender Equality Fund,  
Canadian International  
Development Agency

# ACKNOWLEDGEMENTS

The workshop on 'Best Practices in Group Dynamics and Micro-credit' was possible after a long process of introspection and experiential learning from the initiatives of the Department of Women and Child Development, such as the Indira Mahila Yojana and the Swa-Shakti Project. We were beginning to realise that without a properly planned intervention and convergence of not only activities but also ideas, the self-help groups cannot operate successfully on a sustained basis. There was also an immediate need to coordinate and network separate and diverse initiatives to achieve optimal results. Thus, our effort through this workshop has been to create a platform for ongoing debate, exchange as well as advocacy.

As a part of this initiative, we have been able to highlight some of the available best practices in the field of micro-credit through the SHG mode. And through their dissemination, we hope to replicate these positive outcomes at other places. For the most part, this has been possible because of the overwhelming response of organisations/authors in reflecting upon and sharing their experiences with the wider audience, in the form of workshop papers. I thank them for their efforts in this direction.

My colleagues in the Bureau have also worked extremely hard at organising the workshop, finalising the themes and making the briefs well in advance to allow enough time for the participants to contribute effectively. I would like to specifically mention the contributions of A.M. Tiwari, Dhanashri Brahme and C.A. Jacob.

The Canadian International Development Agency's Gender Equality Fund made this workshop possible. It not only played an active role in funding this initiative and helping us create a proactive platform for exchange, but also gave its inputs at crucial junctures. I would like to thank Ann Good and Mamta Kohli for their generous cooperation.

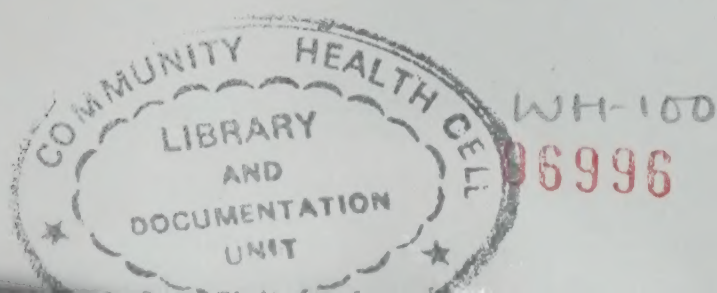
We also received tremendous support from our support agency, Women's Feature Service, in editing the papers, following up with participants and preparing this report. We appreciate the support received from Sunanda Bhattacharjea and thank Swati Basu for efficiently undertaking logistics coordination.

I feel that the workshop is the end of an event but a beginning of a process and hope to be able to keep this platform alive towards sustaining the SHG movement through continuous deliberation and action.

*S. G. Thakur*

**(Sarojini Ganju Thakur)**

*Joint Secretary, Department of Women and  
Child Development, Government of India*



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# HISTORICAL BACKGROUND

The last decade saw the emergence of group dynamics as a major tool for social engineering and empowerment. Recognising this, national planners advocated its use in various programmes. Estimates indicate that more than 700,000 women's groups have been formed through Government initiatives alone. Specialised agencies like NABARD, RMK, SIDBI, etc., have developed well-focused instruments to cater to the financial requirements of such groups. Through such initiatives, credit amounting to more than Rs 70 crore has been channeled to these groups.

However, the potential of the groups cannot be fully tapped without properly planned social intervention that harnesses the capacity of agents for social development and change. In response to this, the Department of Women and Child Development (DWCD) launched a pilot programme, Indira Mahila Yojana (IMY), in 1995. IMY seeks to improve women's access to existing services by coordinating and networking separate and diverse initiatives. As an instrument of social intermediation, women's groups can demand improved quality of services, and work towards enhancing their status and that of the girl child, while establishing a working relationship with Panchayat Raj Institutions (PRIs) for local self-governance.

An evaluation of IMY last year showed that planners, Government functionaries and civil society institutions at multiple levels need to be further sensitised to the group processes and role of micro-credit. It also noted that there are differences among agencies about the definition, scope and potential of self-groups.

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# OBJECTIVES OF THE WORKSHOP

*The aim was to discuss and reach consensus on some of the key concerns in group dynamics and micro-credit among practitioners, planners and policy makers*

In an attempt to initiate a process of convergence and to evolve a common understanding on some of the key issues involved, the Department of Women and Child Development, in collaboration with the Gender Equality Fund, CIDA, organised a workshop on 'Best Practices in Group Dynamics and Micro-credit' on February 15-17, 2000. The aim was to discuss and reach a consensus on some of the key concerns in group dynamics and micro-credit among practitioners, planners and policy makers. The objectives of the workshop were:

- to sensitise the policy makers and implementers on best practices in the field of group dynamics and micro-credit;
- to share and exchange the experiences of the practicing organisations and create an informal working network; and
- to identify possible models for replication by the implementers of Indira Mahila Yojana and other self-help group based initiatives.

The expected output: Exchange of information and experiences of successful projects through the workshop, and publication of one/two resource books on experiences pertaining to successful initiatives and best practices for micro-finance practitioners and planners.

# INTRODUCTION

## Session I

In his welcome address, A.M. Tiwari, Director, Department of Women and Child Development (DWCD), Ministry of Human Resource Development (MHRD), said that when the Department started the Indira Mahila Yojana (IMY) in 1995, it hoped to look at a number of existing models with a view to improving the IMY. "However, when we started this research we found that there was very little documentation available.

"Over the last three years we have thought about inviting all practitioners in the field to a workshop and documenting their experiences in a book, which could be used as a reference point. This workshop is the outcome of that planning.

"There is still a lot that needs to be done in the field of Self-Help Groups (SHGs). Policy makers both at the Central and State levels need to be sensitised and exposed to the SHG model. Moreover, there is a certain urgency for doing this as the Finance Minister had said last year that the programme would be expanded. There is also a change in thinking, whereby we have moved from micro-credit to micro-finance and now we are talking about self-finance. All these issues need to be addressed."

### **Ann Good, First Secretary, Development, CIDA**

Ann Good said they are interested in funding workshops such as this one through CIDA's Gender Equality Fund which is based on the sound principles of democratic processes fundamental to empowerment. Micro-credit is an entry point with an emphasis on access to as well as control over resources. Such forums provide a venue for practitioners and grassroots organisations to exchange ideas with each other and enable them to dialogue with planners and policy makers.

*There is also a change in thinking, whereby we have moved from micro-credit to micro-finance and now we are talking about self-finance*

### **Introductory Note**

Session II

# KEYNOTE ADDRESS

**Kiran Aggarwal, Secretary, DWCD, MHRD**

*Community mobilisation and micro-credit are not new to India. Cooperative movements and mahila mandals have been in existence for quite some time*

Our Constitution guarantees equal rights to both men and women and also guarantees food, clothing and shelter for all. But, as most of us know, in reality we are far from achieving this. In such a scenario, women are worse off because they face an acute resource crunch since most of the work they do is unrecognised work.

For five decades we have been trying different approaches to improve the condition of women. We started with welfare, then came to development and now we are talking about the rights of women on the road to empowerment.

Community mobilisation and micro-credit are not new to India. Cooperative movements and mahila mandals have been in existence for quite some time. Of late women's groups have emerged, and today there are approximately 7 lakh such groups under various Government programmes. Besides these, NGOs too are working with women's groups. We need to look at the components of these groups as initiators of social change.

The SHG movement made a modest beginning in the 1980s but it is getting more complex with the introduction of new instruments of savings and credit. However, though the Government, banks and NGOs have been involved with the movement, there has been little documentation of the work done so far.

Two major innovations were made by the DWCD in the field of SHGs. These are the Indira Mahila Yojana (IMY) and the Swa-Shakti Project. We started the Swa-Shakti Project with seven basic precepts. These are that the project should be: (a) pro-poor; (b) non-discriminatory; (c) focussed on sustainable livelihood; (d) participatory; (e) transparent; (f) open to the involvement of men; and, (g) environment-friendly.

However, no movement can be sustained unless the people involved with it are properly trained. To fill the gaps that exist in the training process we are in the process of starting a Distance Education Programme on empowering SHGs with the help of the Indira Gandhi National Open University and ISRO. We are also planning to launch a website on micro-credit to allow a convergence of information and ideas.

We want this workshop to be one where critical issues are discussed and debated, and initiatives worked out for the future of micro-credit and the SHG movement.

*We are also planning to launch a website on micro-credit to allow a convergence of information and ideas*

Session III

# INTRODUCTION TO THE WORKSHOP

A.M. Tiwari, Director, DWCD, MHRD

*The deliberations of the workshop should highlight the existing 'Best Practices'; the views of the group, options and resources available; existing myths in this area, demystified through examples and cases; issues and areas of concern; and areas of further study and research*

Welcoming the group, Mr Tiwari directed the participants to focus on the detailed session guidelines provided on the design and format of the workshop. He referred to the salient points for discussion, and recommendations which would enrich the results of the next two days of deliberations.

## The Main Themes

- Theme I: Group mobilisation, self-help groups - their purpose and role
- Theme II: Micro-credit
- Theme III: Micro-credit plus and the convergence of services.
- Theme IV: Training, evaluation and monitoring, audit and accounts.

The themes would be presented through a few selected articles which would be followed by small group discussions. The groups would prepare a report and present it for discussion at one of the sessions. A final report on the relevant critical issues would be formulated on the concluding day. An identical format would be maintained for all the workshop themes. (See Annexure C for details.)

Concluding, Mr Tiwari emphasised that the deliberations of the workshop should highlight:

- listing the existing 'Best Practices' on the individual issues raised;
- finalising the views of the group, options available, resources available within the country on individual issues raised;
- existing myths in this area, demystified through examples and cases;
- issues and areas of concern; and
- areas of further study and research.

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# GROUP MOBILISATION, SELF- HELP GROUPS – THEIR PURPOSE AND ROLE

## THEME I

Sarojini G. Thakur

Chairperson

K. Narender, Ashwini Ghorpade, M.K. Bhat, Anand Bajpai

Panel

*Sarojini G. Thakur, Joint Secretary, Department of Women and Child Development, Ministry of Human Resource Development*

The micro-credit bureau is two years old and has been involved in the economic empowerment of women because we feel that this is essential for enhancing their status. Both the IMY and the Swa-Shakti Project aim at facilitating the economic empowerment of women along with facilitating their access to and control over resources – economic, social or community, towards enhancing their status.

The micro-credit bureau, however, uses a convergent approach by: (a) setting up schemes through the Department so that a single-window approach can be followed for self-help groups; and (b) familiarising women with the processes to access these plans. In Maharashtra, for instance, forms pertaining to Government schemes can be obtained from and submitted to the block information officer so that the process shifts from a Government office to the grassroots level.

Today the environment that we are working in has changed. The Government has to work as a nodal agency and need not directly implement all programmes. Instead, it has to ensure that the fruits and benefits reach the women. The bureau is also beginning to contribute to research in this area. Thus we have initiated a study of the Eighth Five Year Plan in 10 States to see if the benefits actually reach women. According to the preliminary findings, the benefits to women have been limited in their reach and the results of this research are going to be very telling.

Unlike many other Departments, the DWCD has focussed on the process. IMY was funded only once in 1995 after which the

*Though good work is being done in this field, nationally and internationally, there is limited resource material or documentation available in one place on the Indian SHG model*

focus has been on capacity-building. This approach has worked so well that today there is a demand to take up more blocks under the scheme. The Swa-Shakti Project too works in a similar manner, focussing on capacity-building at the grassroots.

However, though good work is being done in this field, nationally and internationally, there is limited resource material or documentation available in one place on the Indian SHG model. What we need today is a platform where the Government, NGOs, development practitioners, grassroots workers and training institutions can get together and learn from each other's experiences.

***K. Narender, DHAN Foundation: Promotion of Nested Institutions of Self-help Groups for Sustainability, the 'Kalanjiam' Way (block-level organisations are called federations of SHGs or Vattara Kalanjiams)***

The basic purpose of the SHGs is to provide development finance for the poor. The core principles are:

- focussing on the poor and the impact of poverty;
- developing appropriate institutions controlled by clients;
- creating a demand system that involves the poor since they are outside the gamut of the formal banking system; and
- going beyond micro-finance since it is only an entry programme, and does not directly address the other development needs of the poor.

Creating nested institutions of the poor is important if we plan to address the issues of powerlessness and isolation – the two important causes of poverty. Nested institutions should have the following aims:

- collective action to create a demand on the local system;
- strengthening primary institutions so they become socially and economically independent;
- ensuring continuity of the programmes initiated by NGOs through nested institutions after their (that is, the NGOs) withdrawal;
- establishing linkages with banks and other financial institutions not only as clients but also as partners;
- designing appropriate financial products such as savings, credit and insurance to meet the multiple needs of the people. These, however, cannot be done by individual SHGs but by SHG clusters;
- creating peer pressure and self-regulation. Nested institutions act as regulators to help SHGs achieve sustainability; and
- achieving significance.

The promotion of nested institutions is an organic process that

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## Group Mobilisation, Self-Help Groups – Their Purpose And Role

goes through the following phases:

**Phase 1:** The *Interactive Phase* lasts between three to six months and the focus during this time is on evolving a common purpose to promote the nested institution and a mutual appreciation and understanding to build trust for joint action.

**Phase 2:** The *Formative Phase* begins at six months and ends at the end of a year. The focus in this phase is on evolving bylaws, setting up of organisational systems and initiating both developmental and financial programmes.

**Phase 3:** The *Stabilisation Phase* starts after one year and lasts for a year. The focus during this phase is on implementing specific programmes and ensuring that they work, initiating linkages with banks and other financial institutions and establishing organisational systems and mechanisms.

**Phase 4:** The *Growth Phase* begins after two years and lasts for a year. During this time, the nested institution becomes financially and socially independent and starts initiating civic programmes such as health and education.

**Phase 5:** *Diversification*. This phase takes place after the nested institution has been in existence for three years and has started moving towards becoming a civic institution. At the same time, the institution also starts skill building, marketing and other support activities for business promotion and becomes a source of inspiration for others.

### Issues and Challenges

Nested institutions are a means of addressing the issue of poverty through building the capacity of the community. This is, however, a long-term process and requires commitment and faith in the philosophy behind it. In such a scenario, the role of NGOs as facilitators keeps changing and they should be conscious of this change so that they can transfer their old roles to the community and take on newer ones to help sustain and stabilise nested institutions.

Members should own the federations and the final ownership should remain with them. The other management roles, however, can be given to professionals who can be trained to manage the organisations. NGOs need to ensure that this process of growth takes place and they should not end up controlling the institutions that they are promoting.

Since the process of promoting these institutions and building their capacity is a long-term one, they need to be subsidised for the initial two to three years till they become financially sustainable. During this time, these institutions need to be nurtured either by the Government or the banks, with the NGOs acting as facilitators.

Existing legislation offers no suitable protection for nested in-

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*NGOs need to ensure that this process of growth takes place and they do not end up controlling the institutions they are promoting*

*Existing legislation offers no suitable protection for nested institutions.*

*The present Cooperative Act is restrictive and provides greater role for the Government to control and direct the activities*

stitutions. The present Cooperative Act is restrictive and provides greater role for the Government to control and direct the activities. Another problem is that the demand for credit often exceeds the funds mobilised internally; though financial institutions have started responding positively to the needs of groups, gaps and delays still exist between the demand and supply of credit. Belief in the system is very important. Financial institutions do not see the groups as partners but beneficiaries in the process of development.

In such a scenario, there is a need for nested institutions to nurture and strengthen the philosophy of self-management and develop a mechanism where their performance is self-regulated.

***Dr Ashwini Ghorpade, Senior Research Programme Coordinator, BAIF Development Research Programme: Group Mobilisation***

There are a number of issues that bring rural women together. Foremost amongst these is relaxation, then discussing solutions to common problems and discussing their experiences, both happy and unhappy. A result of this getting together is that these women not only pool together their human and natural resources, but also feel they have control over their lives. Through such meetings they can also strengthen their indigenous knowledge and in some cases such groups have proved to be very good at managing common property resources.

However, gender bias in the socialisation of the girl child starts during childhood so it is very essential to initiate the process of gender sensitisation at the school level for both children and teachers. At another level, we also need to increase activities linked to issues like sanitation, nutrition and health that concern women, to remove the disparities between men and women.

We have evolved a best practice for participatory Monitoring and Evaluation (M&E) activities through colour coding. The indicators can be used either monthly or annually to determine how well the group and its members are doing. When the involvement in the group is low the colour that we use is red. Once the involvement becomes a bit more then the colour changes to yellow and finally when the involvement is strong the colour is green. Our ultimate aim is that the colour should be evergreen to show that the group is strong in the activities that it is undertaking.

However, we should not forget that the formation of SHGs is not the goal – it is just the means of attaining the goal of poverty alleviation and empowerment of women. In the various projects we have undertaken, we have seen that it is possible to attain the colour green. To give a small example, initially there were no women involved in technology transfer but today we see that they are involved both in planning and implementation.

*We have evolved a best practice for participatory Monitoring and Evaluation (M&E) activities through colour coding. The indicators can be used either monthly or annually to determine how well the group and its members are doing*

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## Group Mobilisation, Self-Help Groups – Their Purpose And Role

*M.K. Bhat, Consultant, DSI: SHGs – Delivery Mechanism or Empowerment Tool?*

For micro-finance to be successful there are two issues that need to be tackled. The first of these is sustainability of the micro-finance programme. For this a number of intervention strategies are required so that the programme has the ability to meet the growing needs of the members through resources raised on its own strength or through the natural resources available. Sustainability has two major components: institutional sustainability and financial sustainability. Institutional sustainability has to be achieved at three levels: individual, group and programme. Financial sustainability implies the ability to meet various costs at the programme level, such as operating costs, or cost of borrowing or raising funds.

The sustainability of any programme depends first on financial stability, that is, its ability to mobilise resources, and then on institutional stability. The latter is essential since we are living in a complex socio-political environment.

Empowerment of women is as important as sustainability. Most of us are very weak when it comes to gender issues and these are often sidelined or taken as only one component of the larger process of empowerment. Gender equality not only needs to be brought into the mainstream, it also has to be seen as a twin objective along with financial sustainability. A focus on micro-finance may help in improving the conditions of poor women but it will be able to achieve nothing more without gender equality.

Today there are a number of players in the field of micro-finance such as banks, NGOs, Government and external donors, with different approaches to women's empowerment. Some NGOs consider micro-finance as a means of improving the economic condition of women, while others feel that micro-finance is a tool for the empowerment of women only if a two-pronged strategy of addressing the practical as well as strategic gender needs is followed.

One common criticism about the new NGOs that focus only on economic efficiency models is that they do not pay much attention to social and political dimensions. Moreover, given the rapidity with which micro-finance activities are being pushed by NGOs there is also the belief that the poor, particularly poor women, are being pushed into a new kind of debt trap.

NGOs deal with financial institutions that often regard them as competitors. Besides this, these lending institutions follow the logic of profitability and, therefore, rigid banking policies. Thus they often prefer those NGOs which concentrate more on economic activities, with the result that smaller NGOs which focus more on social mobilisation are left out from collaborative efforts.

Another problem is that many rural households require short-

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*The biggest problem, however, is the rate of interest. This has several dimensions. This also leads to a lot of confusion amongst the SHGs*

*SHGs often have problems with the time slot approach in fixing repayment schedules*

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term crop loans for which there are no provisions. So they take a loan for some non-agricultural activity but use it as a crop loan and can pay it back only if there is a good crop. More often than not, by the time the NGO has made a credit need-based plan and got the loan for the households, the agricultural season is over.

The biggest problem, however, is the rate of interest. This has several dimensions. The Reserve Bank of India (RBI) restricts the maximum rate of interest to 12 per cent. This is followed by the Rashtriya Mahila Kosh (RMK), which lends money to NGOs at the rate of 8 per cent. The NGOs are expected not to exceed the 12 per cent rate of interest stipulation set up by the RBI when they lend money to SHGs. This margin of 4 per cent is not enough to meet the costs of the NGOs with the result that they look at other sources for borrowing money.

Groups charge interest rates ranging from 18 to 36 per cent on their own savings, which is much less than what the moneylenders charge. NGOs which borrow money from RMK too need to have standardised rates of interest because otherwise some SHGs end up paying a 12 per cent rate of interest while some others have to pay as much as 18 per cent if the NGOs have borrowed the money from other sources. This also leads to a lot of confusion amongst the SHGs. In addition, SHGs often have problems with the time slot approach in fixing repayment schedules.

RMK suggested a maximum rate of interest chargeable by the SHG at 18.75 per cent in 1998, which was revised to 17.85 in 1999. If the RMK is the only source of getting these loans then there will be no confusion. But in reality a lot of money is also coming from other sources, which complicates the issue.

While recognising the potential of SHGs in the economic and socio-political empowerment of the poor and achievements in the field of micro-finance, there are a number of dilemmas pertaining to SHGs which need to be addressed. These include: are they a delivery mechanism or an empowerment tool; stereotyping and stagnation versus sustainability and target versus quality and best practices. We cannot counterpose these one against the other. What we need to do is to strike a balance between them.

### Discussion Time

During the discussions, participants raised a number of questions. While S.K.Parthasarathy wanted to know whether the discussion was about the empowerment of the group or about enabling and empowering individuals within the group so that it could lead to entrepreneurship, R. Sengupta raised questions on the interpretation of sustainability – whether it was for the group or for the individual. S.G.Thakur wanted to know whether regular meetings

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of the group had led to an increase in the woman's income. Further, she also wanted to know whether this had impacted on women's lives and led to an improvement of living standards.

S.G.Thakur felt that these questions had not been answered and she stressed the need to address these issues.

**Anand Bajpai, Manager, MCID, NABARD, presenting  
Y.C. Nanda's paper: Marketing Micro-finance in India –  
The NABARD Way**

It is important to review some of the traditionally held paradigms on banking with the poor and the gaps that exist between demand and supply. First, on the demand side we have the banks, while the poor people constitute the supply side; there are a number of disparities between them. Secondly, while the banks feel that there is a need for comprehensive banking services in addition to credit, the poor mainly need credit. For banks, access to saving is as important as credit, but poor people may not save as much. Moreover, the consumption needs of consumers are important for banks, but since the poor find it difficult to repay consumption loans, it is difficult to handle this aspect. Thus banks need to consider the following issues:

- the credit needs of the poor are smaller, emergent and frequent, which means that only economically viable units can be supported. Existing systems do not allow for meeting emergent and frequent credit needs of the poor people;
- the dividing line between production and consumption loans is very thin but for poor people production loans should not be diverted for consumption purposes;
- banks do not rely on rate of interest to determine the source from which they are going to take credit, but for poor people higher interest rates are not feasible. They, therefore, need concessional rates of interest; and
- the poor need easily accessible credit at their doorstep but the banks do not reach the villages, especially in tribal and backward areas.

The SHG linkage programme has a number of unique aspects:

- it allows for collective decision-making on issues like meetings, thrift and credit decisions. The participative nature of the group also makes it a more responsible borrower;
- it provides financial services to its members at their doorstep;
- it complements the existing banking system and does not supplement it;
- its linkages cut costs for both the banks and the borrowers and have also shown that repayments are as high as 95 to 100 per cent; and

*It is important to review some of the traditionally held paradigms on banking with the poor and the gaps that exist between demand and supply*

*For poor people, high interest rates are not feasible. They, therefore, need concessional rates of interest*

*The need is to build capabilities and enterprise skills of the members so that the group can work as a cohesive unit. The linkage programme combines the efforts of policy makers, banks and NGOs for improving the livelihood of the poor*

*When we talk about micro-finance the focus shifts to financial aspects; and while savings and returns are important, we want to focus on women*

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- its focus is exclusively on the poor, who are not taken into consideration by the banks. They initiate an empowerment process amongst the poor, especially the women.

There should be no subsidiary support from the Government when it comes to credit. The need is to build capabilities and enterprise skills of the members so that the group can work as a cohesive unit. The linkage programme combines the efforts of policy makers, banks and NGOs for improving the livelihood of the poor. SHG linkage also allows for inter-institutional cooperation that combines policy dialogue and formulation with grassroots level activity.

In the future, NABARD is looking at micro-finance with two perspectives:

First, it seeks to strengthen the existing set-up of rural finance institutions by marketing efficient tools of banking with the poor. In order to pursue this, NABARD has an ambitious mission of linking one million SHGs with the banking system by 2008. Since each SHG has about 20 members and each family has, on an average, five members, this scheme is likely to reach out to 100 million rural poor or one-third of the poor in India.

Secondly, it aims to create a conducive supportive environment for encouraging and supporting new micro-finance institutions (MFIs) or facilitating the existing micro-finance NGOs into micro-finance institutions to bridge the gap in the delivery of financial services. NABARD is hoping to associate 30,000 bank branches with this effort. Besides this, 4,000 NGOs too will be involved in the effort. Out of these, 2,000 NGOs would be involved as MFIs. At least 200 federations of SHGs will come into being by this time that will play crucial roles of both facilitation and financial intermediation.

### Discussion Time

While clarifying the deliberate use of the term 'micro-credit' instead of micro-finance, Mrs Thakur said, "The term 'micro-credit' has been consciously retained in naming the Micro-credit Bureau in the Ministry and the workshop because we are looking at things from the point of view of the borrower and not of the lending institutions. The banks, on the other hand, may be thinking in terms of micro-finance and not micro-credit. Also, we must never forget that finance does not imply empowerment. When we talk about micro-finance the focus shifts to financial aspects; and while savings and returns are important, we want to focus on women."

Questions ranged from the assumption of homogeneity as a basis for SHGs to Gauri Gopinath's query if it was income levels

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that bound groups. Juthika Banerjee asked how one could reach the poorest of the poor.

Sarojini Thakur and Soma Parthasarathy commented on NABARD's role in the field of resource mobilisation, wherein it had ensured that SHGs become commonplace in Government. However, other banks had not been so proactive in the process of lending. So the larger question here was the direction of programmes vis-a-vis the empowerment of women. Criticising the impact of NABARD, A. Murali remarked that in Andhra Pradesh there are a number of groups that cannot be reached by the banks. Even if the bank is convinced that the group needs the money, it cannot reach it. NABARD had done nothing to improve this condition.

In response, Anand Bajpai maintained that economic homogeneity was the primary basis. Another factor was that the members of the group need to be from the same community so that they can communicate with each other and this in turn means that the chances of their being successful are greater. He stressed that NABARD got financial services to the doorstep of the poor through SHGs and was also trying to develop a class of entrepreneurs and getting clients for banks.

Narayan Hegde felt that, for this, linkages of the SHGs with Panchayati Raj and other development organisations were very important. Supporting the role of NABARD, D. Narendranath said that the 1992 guidelines published by NABARD were very good. It had played a role in the empowerment of the poor because today the SHGs can go to banks and ask for loans – the banks have been sensitised enough for this. A relationship has been built between rural women and banks and the process of sensitisation of banks, which are the first in the line to be sensitised, has also been started.

*A relationship has been built between rural women and banks and the process of sensitisation of banks, which are the first in the line to be sensitised, has also been started*

## THEME II

# MICRO-CREDIT

Chairperson

Panel

A.M. Tiwari

Suryamani Roul, S.S. Sharma, Madura Chatrapathy,  
Raj Mohini Sethi, Brij Mohan

*In South Bihar, the credit programme was initiated in 1997, targeting 6,500 women, predominantly from the tribal areas*

*Suryamani Roul, Project Manager, CREDIT, SEAD Sector, CARE-India: The CARE-Bihar Programme – Experiences and Achievements*

CARE-India has been working towards sustainable empowerment over the last 50 years. Since the early '90s, it has focussed on credit as a critical input through the Small Economic Activities Development (SEAD) programme. In South Bihar, the credit programme was initiated in 1997, targeting 6,500 women predominantly from the tribal areas. Together with Professional Assistance for Development Action (PRADAN) they started four pilot projects in Andhra Pradesh, Uttar Pradesh, Orissa and Bihar in the early '90s. Unfortunately, they have had to revisit both the goals and approaches.

Some of the problems encountered were:

- even after several years, 100 groups were still dependent on outsiders to maintain records;
- migration, though temporary, created tension in the area;
- there was an overlap between programmes;
- though group funds were on the rise, funds lay idle. There was a need to sensitise bankers to open cash/credit accounts for SHGs; and
- restructuring was a problem, particularly with Swayambhoo groups (formed by members on their own after hearing from friends and relatives) whose systems and procedures were not in order.

PRADAN has promoted the learning process by working as a group facilitator. Learning through visits to established SHGs are impossible in areas where there is poor access to roads and *haats*. This results in limited options for loans for production. Some factors

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that encouraged progress were the existence of para-vets in the project area. Government programmes such as Swarna Jayanti Gram Swarojgar Yojana (SGSY) has the outreach but does not cover families below the poverty line.

Different NGOs have differing views on repayment, but scheduled repayment seemed to work better. Complementary Development Services did a survey for both micro-planning and micro-finance. MARG was engaged to cover 68 villages. It found that, within six months, groups grew from 600 to 800. Constant interaction has led to more than 50 per cent now undertaking some economic activity. Over 400 SHGs were financially sustainable but only 306 could manage without outside help. However, even here there were problems such as the lack of activity insurance in an area that was dependent on vegetable growing and animal husbandry. Besides this, though capital was increasing, needs did not show a similar rise.

### Discussion Time

While S.Vasudevan asked for details of the survey of micro-finance, micro-planning and micro-markets, M.K. Bhat was interested in the functioning of the Swayambhoo groups. S. Roul stressed that Swayambhoo groups have not matured, but insist on a share of the funding, the dilemma being that Ranchi is predominantly tribal and all the households in a *tola* (hamlet) are below the poverty line.

### **S.S. Sharma: Rashtriya Mahila Kosh (RMK) – Its History and Achievements**

(After presenting a general scenario of the RMK's achievements, the RMK was introduced through slides which covered: (a) Problems the poor face; and (b) Women's need for awareness training, technical skills, advocacy support and capital.)

In 1992 NABARD opened up micro-credit and in 1993, in response to the Shramshakti report, the RMK was started. RMK schemes spanned SHG development and promotion schemes as well as information and education schemes.

Any NGO, even those without experience, could use RMK credit facilities. The RMK provided an 8 per cent interest rate for onlending to NGOs, with further concessions often without collateral. A revolving fund was started in 1993-94 with just 24 SHGs, which grew to 131 by 1998 and to 550 by November 1999, and covered 3.44 lakh women. The RMK is growth-oriented with a record of 98 per cent repayment. Idle money is kept in banks, and RMK expenses are borne by the banks.

The RMK met the norms of a good credit system – it was friendly, flexible and responsive, and provided credit at the doorstep at low

*Different NGOs have differing views on repayment, but scheduled repayment seemed to work better*

*The RMK is growth-oriented with a record of 98 per cent repayment. Idle money is kept in banks, and RMK expenses are borne by the banks*

*An interest-free loan scheme for the development of SHGs provides support in the form of a loan of Rs 1 lakh for the development of 25 SHGs – this was interest-free and on successful completion was convertible into a grant*

*We should know the logic behind groups. Their long-term objective should be kept in mind. The three-year norm for NGOs should not be applied to federations*

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transaction cost. Loans were channelised through NGOs, Women's Development Corporations and cooperative societies, on to SHGs which meet the credit needs of women borrowers. A variety of schemes exist – credit schemes, relief in distress schemes and promotion and development schemes.

An interest-free loan scheme for the development of SHGs provides support in the form of a loan of Rs 1 lakh for the development of 25 SHGs – this was interest-free and on successful completion was convertible into a grant. The criterion for eligibility under this scheme is a NGO with a good track record, with no assistance from the main loan scheme and with a good financial infrastructure.

The Loan Promotion Scheme applied to NGOs with less than three years experience in micro-credit and loans could be sanctioned up to Rs 2 lakh. The Main Loan Scheme provided loans up to Rs 75,000 with an 18-month repayment period. Repayment had to be in equal installments within that period.

### **Discussion Time**

Thanking Mr Sharma, Mr Tiwari said, "RMK is a leading finance institution, its quest for sustainability is not questioned." He reminded participants that the HRD Minister had assured the people that the RMK would not charge more than 12 per cent. Mamta Kohli said that the 18 per cent interest rate was a balance between 4 and 35 per cent in the market. The idea was to promote decision-making at a group level. K. Narender thought that the groups should be partners, not beneficiaries: "We should know the logic behind groups. Their long-term objective should be kept in mind. The three-year norm for NGOs should not be applied to federations."

Shreelata Sheshadri felt that the issue was the gender ratio, even though the need for credit may not be high. How did the RMK prioritise?

Responding, S.S. Sharma said, "We give them an opportunity to meet us and they give us field level demands. NGOs should have some experience. There is greater awareness in the South. Even in the north there are differences. In Haryana many NGOs work with the RMK; in Punjab the people have not responded in spite of the same time and energy having been spent on the programmes. We check on other organisations linked with the SHG and sanctions are based on detailed study."

***Madura Chatrapathy, Trustee Director, Asian Centre for Entrepreneurial Initiatives (ASCENT): Micro-credit and Women's Empowerment***

The focus of ASCENT is on micro-enterprise as it is the key to economic empowerment and social change for women – the logi-

cal aim of micro-credit. Thus the key to starting a business is not credit as much as business ideas. The end result is crucial: micro-credit should not only provide employment but also create income.

With proper inputs, avenues can be created so that group enterprises that should be expanded are not lost due to a lack of entrepreneurial skills and the lack of a market. For instance, jeans of international brands are now stitched in Bellary, where now no person is unemployed.

It is necessary to create an economy of networks of different groups producing a variety of products, with centralised packaging and quality control. NGOs should explore markets like those for building material, fibreglass and water closets, which could be locally produced.

As part of the philosophy behind ASCENT, withdrawal from partnerships is never considered, though disinvestment is a possibility, as ASCENT believes in partnerships being a learning experience. Partnerships have been developed with NGOs, young entrepreneurs and scientists.

In the Kolhapuri chappal industry in Athani, Belgaum, small SHGs were formed and their members trained in technical skills and design. Initially, ASCENT reached out to 200 artisans, through the formation of 10 credit groups of women of these families. Their specialisation was in footwear production. Management experts provided training along with technical and business skills. The craftsmen provided the designs, and they had the skill to adapt these to the export market. Producers were guided through the different stages such as purchase of raw material, sales and delivery, and have now found export markets.

These artisans transformed the lives of people of the entire district by building on their rich traditional artisan skills through training and entrepreneurial inputs. Successful models from Athani proved that capacity-building and a credit plus approach is a must. There is a need to develop entrepreneurship among women not just to eliminate drudgery but as a significant tool of their empowerment and economic advancement.

Since then, ASCENT has established learning partnerships with the SAARC countries and several others in Africa, and has been successful in its objective of fostering an entrepreneurial culture.

At the grassroots level micro-credit initiatives and the formation of SHGs are tools for the mobilisation of women and an effective entry point for social and economic intervention. But all enterprise must lead to marketing because asset generation is an empowering process.

Another radical approach is the involvement of men and spouses, because the family unit is seen as a reservoir of support

*It is necessary to create an economy of networks of different groups producing a variety of products, with centralised packaging and quality control*

*At the grassroots level micro-credit initiatives and the formation of SHGs are tools for the mobilisation of women*

*In Haryana when men 'shared' work with women, they ultimately sidelined women as the forces of patriarchy were too entrenched*

*Some participants felt that ROSCAs were merely a variation of chit systems and in principle exploited the needy. They were time-bound and basically a financial wish-oriented network*

and motivation. Men are encouraged to be a part of the family enterprise though they never form part of the credit group. This inclusive approach has proved successful not only in economic terms but also for long term sustainability of the effort.

#### **Discussion Time**

Discussion centred on the inclusion of men into development schemes. K. Sharma felt that in Haryana when men 'shared' work with women, they ultimately sidelined women as the forces of patriarchy were too entrenched. Ms Chatrapathy maintained that: "Men are not part of the credit group, the SHGs are purely women centred, but family enterprises are encouraged and we run special programmes for spouses."

#### ***Raj Mohini Sethi, Department of Sociology, Punjab University: Rotational Savings and Credit Associations (ROSCAs) – Informal SHGs***

Having studied the informal SHGs of Rotational Savings and Credit Associations (ROSCAs) for 12 years, it can be concluded that they have a number of advantages for women:

- they are a good source of credit;
- the setting up of entrepreneurial thrift ventures is encouraged;
- liquidity of credit and savings without collateral is provided;
- dormant savings in a household are mobilised;
- income generation is enhanced as the money can be invested in an enterprise or banked to provide economic self-reliance;
- seed money for business ventures is provided; and
- there are increased employment opportunities for women.

In negotiating patriarchal support, ROSCAs provide women a certain degree of confidence since they have the backing of their group. Besides this they also provide women with the opportunity to socialise and bond together to share information and aid each other in crises. Yet, both the Government and NGOs tended to ignore them and today ROSCA groups continue to be isolated in the development field.

#### **Discussion Time**

Disagreeing with Dr Sethi's enthusiastic sponsorship of ROSCAs, K. Narender and Sudha Kothari felt that ROSCAs were merely a variation of chit systems and in principle exploited the needy. They were time-bound and basically a financial wish-oriented network.

*Brij Mohan, Small Industries Development Bank of India (SIDBI):  
Foundation for Micro-credit – Reaching the Poor with Financial  
Services*

SIDBI started lending small sums of money in 1994 and our dealings with NGOs have been very satisfactory. Realising that poor people need small amounts delivered at their doorstep, our aim has been to work only with the poor, dealing with small sums of money, mainly with women. We provide them loans so that eventually they can be in a position to look after themselves.

There is a credit rating system on the basis of which decisions on how much money is to be given and to whom are made. SIDBI also looks at a more comprehensive approach whereby the micro-finance institutions (MFIs) not only offer credit but are also able to collect back the loans. MFIs are helped to build marketing skills so that they can identify and approach the right markets. In this process MFIs become formal and strong.

Since SIDBI is a profit-making organisation, the approach is that of a business venture where the MFIs have to be formal and sustainable. The way we look at it is that at the lower rung of the hierarchy, NGOs are managed by the MFIs while at the higher end NABARD is responsible.

In the micro business game we are not in favour of giving loans at concessional rates because then the motivation for securing loans is not development and all the wrong kinds of people get in. We also get a lot of complaints about high interest rate which is 12 per cent while banks lend at 8 per cent, but this was not a fair comparison: if the whole operation is to be sustainable it is necessary to charge this higher rate of interest. Moreover, the amounts dealt with are as low as Rs 500, which are delivered at the doorstep. This is something that the banks do not do. A related issue is that SIDBI borrows money at a 10 per cent rate of interest; we are trying to get this down to 9 per cent because we need a margin of 2 to 3 per cent.

Since 1990 we have not only been concentrating on micro-finance but also on related issues like giving out diplomas on the subject. We are also looking at non-business angles in the groups so that there can be an attitudinal change. We want to be a nodal centre not only for loans and equity but also for capacity-building.

*There is a credit rating system on the basis of which decisions on how much money is to be given and to whom are made. MFIs are helped to build marketing skills so that they can identify and approach the right markets. In this process MFIs become formal and strong*

*If the whole operation is to be sustainable, it is necessary to charge this higher rate of interest*

## THEME I

# GROUP MOBILISATION, SELF- HELP GROUPS – THEIR PURPOSE AND ROLE

Group leader  
Group members

M.K. Bhat

G. Muniratnam, Juthika Banerjee, Brij Mohan,  
C.A. Jacob, Indu Chopra, Raj Mohini Sethi,  
Sudha Kothari, Rajiv Saxena, Gauri Gopinath

*The group discussion focussed mainly on the conflict between NGOs and the Government sector*

The group discussion focussed mainly on the conflict between NGOs and the Government sector.

**M.K. Bhat:** The reason we need SHGs is that people on their own are relatively powerless, but collective action usually succeeds. A SHG needs to be collective, participatory, self-managed and functionally viable at the grassroots level. The idea of SHGs is not new. It has emerged because of the needs and constraints of the existing systems.

**G. Muniratnam:** There is a lot of potential for replication on the lines of the Swa-Shakti movement; new groups can replicate what others have accomplished and it can soon become a movement. This can be done only without Government intervention, but with Government backing.

**J. Banerjee:** For instance, banks have a very commercial attitude. They don't even look at poor people. The Government can play a role here.

## Conclusions and Recommendations

### General

- In the existing environment SHGs are a financial mess at all levels – Central Government, State Government, NGOs and donors. We need coherent policies at all these levels.
- External funding plays an important role in the SHG movement so talking to Government agencies alone is not enough: we also need to talk to donors for developing coherent policy guidelines.

## Group Mobilisation, Self-Help Groups – Their Purpose And Role

- It is the overall policy that has to change and not just a few details.
- SHGs need occupational and social homogeneity for them to be successful.
- They can be more effective if the work that they are doing at the village level is not duplicated.
- They cannot survive on their own but need to be institutionalised, without which the movement will die.
- Empowerment of women is essential for the continuity of the SHG movement.
- No agenda should be imposed on SHGs; each group should be allowed to decide its own priorities.
- There should be an increase in the loans being given by the Government.
- In areas of abject poverty there is a need to provide subsidies in areas like health or education. Policies should be flexible enough to tackle specific problems of different areas.
- NGOs have successfully focussed on finance-related activities but now they also need to move to political, social and cultural issues. Here they need to play a catalytic role and their focus should be on developing self-sufficiency in SHGs.

### ***Specific: How to reach the poorest of the poor***

- Dealing with the poor requires extra time and work, it is important to gain their confidence before starting new schemes. This is unavoidable.
- Often, due to large-scale immigration, the poor are left out of worthwhile schemes. This would not happen if we keep our focus on poverty and all its dimensions rather than just SHGs.

*Empowerment of women is essential for the continuity of the SHG movement*

*Often, due to large-scale immigration, the poor are left out of worthwhile schemes. This would not happen if we keep our focus on poverty and all its dimensions rather than just SHGs*

THEME I

# GROUP MOBILISATION, SELF- HELP GROUPS – THEIR PURPOSE AND ROLE

Group leader  
Group members

Modini Srinivas

N.G. Hegde, K. Narender, Sulochana Vasudevan,  
Madura Chatrapathy, Anand Bajpai, Helen Thomas,  
Sam Thangaraj, Mona Gupta, R.K. Gupta

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*The group discussion focussed on the role of micro-finance and the costs involved in group formation*

The group discussion focussed on the role of micro-finance and the costs involved in group formation.

**N.G. Hegde:** It is essential to establish the credibility of an organisation before starting a group. The problems and needs of the local community need to be assessed and identified. The work of other agencies that are active in the area should also be taken into account.

**K. Narender:** Identification of the poor is very important after which a campaign approach to the programme should be undertaken. We need to start with the poor because if you decide to start a scheme and then involve the poor later, it never happens.

**S. Vasudevan:** When we talk of the empowerment of women, we need to consider a cross-section of women and not necessarily only the poor because all women need to be empowered.

The Group noted K. Narender's statement that setting up of a single self-help group would cost about Rs 10,000, as a one-time cost. The Government should provide this. This figure is arrived at keeping in mind the economies of scale and viability. The formation of 150 groups would be a viable number.

# MICRO-CREDIT

## THEME II

**D. Narendranath**

**Group leader**

**J.C. Misra, Mamta Kohli, Kiran Sharma, Naila Kabeer, Dr Ghorpade, Himika Bhattacharya, R.K. Sachdeva, Ann Good**

**Group members**

The discussion focussed on the role of micro-finance institutions vis-a-vis SHGs and banks.

**J.C. Misra:** In 1991 RBI allowed SHGs to become banks' clients but they still do not have any legal status. Legally they are required to be individuals or in partnerships or proprietors or corporators. SHGs, in fact, do not fit into any of these categories. Moreover, banking consists of savings, credit and insurance but insurance cover has not yet been extended to the majority of clients.

**D. Narendranath:** Thirty-seven per cent of rural households are outside formal credit institutions. The RBI and NABARD are becoming increasingly involved with the micro-finance movement because they want to increase their banking outreach. Micro-finance is actually poor-friendly financing but is yet to be regulated formally. The RBI did issue a very radical set of guidelines. This resulted in 30,000 to 40,000 groups getting linked up. Our groups have benefited tremendously with micro-finance. Tribals have been able to access banks and money. Much of it has gone for consumption purposes which, legitimately, banks do not entertain. MFIs, on the other hand, don't go into specifics.

**J.C. Misra:** They should take cash flow of the person, not cash flow of the activity, into consideration; Rs 15,000 to Rs 50,000 crore credit is required but at present only Rs 149 crore has been made available through this route.

**M. Kohli:** The question of who issues guidelines is important.

**J.C. Misra:** Wherever a change of statute is required, it is routed through the RBI.

**D. Narendranath:** The interest rates of moneylenders have come down due to easy access to credit and cash.

*Thirty-seven per cent of rural households are outside formal credit institutions... Micro-finance is actually poor-friendly financing but is yet to be regulated formally*

*Our groups have benefited tremendously with micro-finance. Tribals have been able to access banks and money. Much of it has gone for consumption purposes which, legitimately, banks do not entertain*

*Policy guidelines should be framed to increase the number of MFIs*

**K. Sharma:** It seems that NABARD is not only doing a lot of good work but also taking initiatives.

**J.C. Misra:** MFIs should have the twin objectives of tapping small credit and extending credit in small amounts, but in a cost-effective manner.

**D. Narendranath:** Poverty cannot be addressed purely by micro-finance because MFIs also have own interests.

**N. Kabeer:** Is improving access to credit the best policy to address poverty?

**Dr Ghorpade:** Agreement procedures should be simplified. Stamp paper for loan agreements should be waived.

**D. Narendranath:** Credit absorption avenues should be explored. For example, in one instance, the setting up of a small irrigation scheme at low cost helped a group to go in for a second crop.

### Conclusions and Recommendations

1. Roles of different institutions should be as follows:
  - RBI: Regulatory authority, framing of policy;
  - NABARD: Resource supplementing, capacity-building, sensitising; and
  - RMK: Resource supplementing, capacity-building.
2. Policy guidelines should be framed to increase the number of MFIs.
3. There should be proper impact assessment and documentation of all processes of SHG formation and functioning.
4. Group mobilisation costs – NABARD should take up a pilot project.
5. Sensitisation of bankers is necessary at various levels:
  - training at the initial interface; and
  - focus on individual banks. They may also be provided with incentives.
6. For poverty alleviation:
  - MFIs should work on their strengths;
  - a credit plus approach should be followed by NGOs, civil society, CBOs, mainstream instruments, States; and
  - creating avenues for credit absorption.
7. SHGs should go through all stipulated and necessary procedures.
8. MFIs should work with other services. For instance, they may tie up with a seed and fertiliser corpus.

# MICRO-CREDIT

## THEME II

Suryamani Roul

Group leader

Soma Kishore Parthasarthy, Dhanashri Brahme,  
S.S. Sharma, Rita Sengupta, V.P. Singh,  
Shreelatha Rao Sheshadri, A.M. Tiwari

Group members

**S.K. Parthasarthy:** Mutual arrangement within groups on the use of legal and procedural frameworks is very important for accessing credit.

**D. Brahme:** Savings are mobilised by associate memberships.

**S.S. Sharma:** Groups should be independent and credit should be accessed at the discretion of individual groups and according to their needs.

**R. Sengupta:** Within groups, their norms should be laid out. It often happens that many groups that are operating the money are not sure of the purpose it is for, nor that it is a loan.

**V.P. Singh:** What role should subsidies have?

**D. Brahme:** Subsidy should be extended for social intermediation purposes only, like the formation of the group and for training. Apart from this there should be no subsidy.

**S.S. Sharma:** Before financing, groups should be formed and it should be ensured that they are not linked to other MFIs.

**S.R. Sheshadri:** The concept of subsidies needs to be thoroughly reviewed. I think all subsidies should go. The same money, so saved, can be utilised for capacity-building and risk insurance.

**V.P. Singh:** Savings can take on many forms and should be encouraged. In Banda, group members contribute grains to a grain bank, which can be drawn as loans or even sold.

**A.M. Tiwari:** Such initiatives should be propagated as they allow people to withdraw dividends in kind - in the form of sarees, utensils, etc. After about two years there is often profit-sharing.

**V.P. Singh:** Bankers now frequently provide cash-credit facility to the SHGs. Groups should be encouraged to use this deposit scheme instead of savings accounts.

*Subsidy should be extended for social intermediation purposes only, like the formation of the group and for training*

*Savings are usually of three types: mandatory, optional and activity-based. At what stage of the group's development should these be introduced?*

*In many cases mothers take loans to build capacities of their daughters and then the daughters too contribute to the same, such as the Kishori Kosh in Himachal Pradesh, or the Kanya Kosh in the South*

**S.K. Parthasarthy:** Savings are an ongoing process and a form of resource mobilisation. For example, every member knows that every month they have to save a certain amount to qualify for facilities like housing, etc. Women focus more on security options, on specific needs, not so much at entrepreneur options.

**S.S. Sharma:** Savings are usually of three types: mandatory, optional and activity-based. At what stage of the group's development should these be introduced? For example, people in the hills often have food security problems due to natural calamities; their need for liquidity at this juncture is high.

**S.K. Parthasarthy:** We need suggestions for the effective use of credit. Linkages and leveraging through banking institutions is important for strengthening groups.

**S.S. Sharma:** Community asset-building is an excellent area for use of credit, such as for building roads, buying loud speakers or utensils for group use during marriages or religious functions, or buying rickshaws.

In many cases mothers take loans to build capacities of their daughters and then the daughters too contribute to the same, such as the Kishori Kosh in Himachal Pradesh, or the Kanya Kosh in the South.

**S.S. Sharma:** There are three types of people that make up groups: some are already doing a little entrepreneurial economic activity, some are interested and can be mobilised, and some are just not interested and it is very difficult to make them entrepreneurs.

**S.K. Parthasarthy:** While extending credit, the first priority should be to those barely at the survival stage giving them some security. Later, enterprise, skills, assets, traditional knowledge systems should be identified.

**S. Roul:** The profile of beneficiaries is important for further improving existing potential.

**S.K. Parthasarthy:** People often get into exploitative relationships with the market due to various reasons. Using existing local resources, assets and markets should reduce dependency on credit and outside agencies. Terms of transactions are also very important. Value addition should be through input, output and return.

**D. Brahme:** What about cases where there are no assets or skills?

**S.K. Parthasarthy:** Such groups usually take loans to start a little vending or some such businesses; options can be generated by studying livelihood patterns.

**S. Roul:** According to Government rules you cannot hoard, you have to sell. But groups of 20 members can and need to hoard. This is how people hold grains in the tribal areas where it is grown

and harvested only three months of the year. For the rest of the year they have to bank upon what they have put away collectively. Promoting individual activities and skills is also productive.

**S.K. Parthasarthy:** In Tamil Nadu, groups collect tamarind and sell to clusters, which in turn hold it as pulp till the lean period and then sell at a profit. Here there is wage earning and value addition through collective buying and collective selling.

**S. Roul:** Money saved should be used – facilitating this is very important. Idle money does not grow. How you channelise the funds needs an attitude shift, in orientation and marketing opportunities. Only 10 per cent to 15 per cent of the funds should remain with the group in cash form for emergencies.

**S.K. Parthasarthy:** Insurance and fixed deposits as individual security assets can be set up with spare money, which would otherwise be idle. Setting up fair price shops is another good and simple idea for investment and money generation that benefits group members.

**S. Roul:** Norms and rules of governance for groups should be laid out for membership, withdrawal of membership, leadership and group discipline. NGOs must have policies for withdrawal and sustainability. Changing roles of intermediaries too needs to be studied.

**S.K. Parthasarthy:** Norms for group functioning, democratisation and transparency are issues to be discussed and decided upon by groups. Another issue is: when do groups link up with Panchayati Raj?

**D. Brahme:** In terms of governance, proper functioning and accountability of leadership are very important. How can this be ensured?

**S.K. Parthasarthy:** Target orientation must be complimented with networking and convergence between groups. For example, a forest protection group can network with a credit group, or a health group with a credit group, etc.

## Conclusions and Recommendations

### A. Cost of credit

1. Different models exist and costs differ depending on these various models: (a) RMK model; (b) NGO model; (c) NABARD Bank; (d) Increasing the bulk of savings through associate savings and cross movement of savings; (e) ROSCA model; (f) Revolving fund; and (g) MACs (Mutually-aided Co-operatives) model. All these should be taken into account in the decision-making process.
2. No standard legal framework is needed at present for cross movement of savings. However, clear procedures and norms should

*Money saved should be used – facilitating this is very important. Idle money does not grow. How you channelise the funds needs an attitude shift, in orientation and marketing opportunities*

*In terms of governance, proper functioning and accountability of leadership are very important*

*Mandatory and fixed savings are essential as they inculcate discipline, provide a sense of equity and are simple to manage*

*Savings with a fixed purpose – insurance, housing fund, security, lean savings fund, linkage with civic programmes – should be promoted*

be laid down by the groups themselves.

### **B. Subsidy – for individual members and group as a whole**

1. Subsidies should not be encouraged. However, in case there is provision there should be:
  - social subsidy to the group or NGO for group formation and capacity-building;
  - financial subsidy at a later stage, but it should not be target bound, to avoid the risk of group disintegration;
  - pro rata subsidy to the group under SGSY (Swarnajayanti Gram Swarojgar Yojana) on the basis of number of members below the poverty line; and
  - it was suggested that groups should independently debate this issue of subsidy before availing it.
2. A mechanism which can direct the subsidy to the right category.
3. Subsidy should cover risk for the poor - alternative model - risk fund + priority lending.
4. Subsidy to the Federations as capital – on lending to clusters and groups.
5. Thorough review of subsidy-oriented schemes at the policy making level.

### **C. Savings mobilisation**

1. Mandatory and fixed savings are essential as they inculcate discipline, provide a sense of equity and are simple to manage.
2. Savings vary due to fluctuations in income. This should be taken into account for fixing a minimum amount.
3. Optional savings should not determine credit eligibility of the group.
4. Savings in kind should also be considered as a viable option.
5. The group should decide interest/dividend on savings and income.
6. Savings with a fixed purpose – insurance, housing fund, security, lean savings fund, linkage with civic programmes – should be promoted.
7. Asset creation is important especially as it results in reducing drudgery.
8. Undertaking collective activities strengthens the functioning of SHGs.

### **D. Credit to enterprise**

1. Most vulnerable groups/people must be identified.
2. Building on the existing skill and asset base through tapping local resources, skills, materials, markets and technologies is important.

3. Value addition should be planned collectively, and collective and individual enterprises should function in conjunction.
4. Group enterprise – this is a good strategy to promote; it encourages the SHGs.

## E. Idle funds

1. Causes should be analysed and a demand for funds should be created. If cross movement of funds is encouraged this will not happen.
2. NGO facilitation for rotation of savings should ensure that innovation is area specific.
3. Attitude shifts can increase utilisation by bringing in awareness of new enterprises.
4. Lateral networking between groups is a useful strategy to activate funds.
5. Increased opportunities can be identified through improved access to information.
6. Open term deposits in place of savings deposits encourages a better flow of funds.
7. Creation of group assets should be undertaken.

## F. Governance

1. This involves efficiency of governance at different levels as given below, and should be considered at the planning and implementation stage:
  - 1st tier – SHG, FPC, ICDS, WUC, VEC, VDC (groups formed under different activities like micro-credit, forestry, education etc).
  - 2nd tier – federation, MACs, societies.
  - 3rd tier – Decentralised structure - PRIs.
  - Intermediaries – Banks, MFIs, NGOs, Government.
  - Functionaries – Line departments, other groups.
2. Group level governance needs to be guided by the norms and rules in existence for: membership criteria, rotation of leadership, discipline, participation, accountability, transparency, democratic decision making, withdrawal strategy.
3. Given the changing role of the promoting NGO over time, planning – preferably micro planning – should be done accordingly.
4. Functional networking with other groups and organisations as well as convergence is important. Policy advocacy and environment building are constructive activities for the all-round development of SHGs and MFIs.

*Value addition should be planned collectively, and collective and individual enterprises should function in conjunction*

*Given the changing role of the promoting NGO over time, planning – preferably micro planning – should be done accordingly*

THEME III

# MICRO-CREDIT PLUS AND CONVERGENCE OF SERVICES

Chairperson

Panel

Shreelatha Rao Sheshadri

D. Narendranath, Shalini Prasad,  
Kameshwari Jhadyala, A.M. Tiwari

Working on credit plus issues and making micro-finance services available on their own do not address the issue of poverty.

We must simultaneously create avenues for credit consumption, create linkages and concentrate on capacity-building

BEST PRACTICES  
IN GROUP DYNAMICS  
AND MICRO-CREDIT

*D. Narendranath, Team leader, PRADAN: Experiences in Promoting Savings and Credit Self-Help Groups – Best Practices in Group Dynamics and Credit Plus Interventions*

Working on credit plus issues and making micro-finance services available on their own do not address the issue of poverty. We must simultaneously create avenues for credit consumption, create linkages and concentrate on capacity-building. However, if SHGs are organised around micro-finance it can provide an effective platform for them to take off on other issues. In fact, SHGs organised around savings and credit make for a vibrant forum for related issues.

Income generation activities should include the following norms:

- 1 deciding on income generation programmes (farm or non-farm) and then organising SHGs in the villages to work in these areas;
- 2 selecting members from the mature SHGs and organising functional groups and activity groups;
- 3 training group members and also the service providers;
- 4 creating enterprise specific groups;
- 5 upgrading and adapting technology because the existing technology may not be suitable in the existing conditions; and
- 6 at the same time, there is the need to provide assistance in linkages and other marketing activities. For instance, we found that under the lift irrigation programme in Bihar, women are more effective in selling water in the village as compared to men. Here

we also need to do a lot of capacity-building in handling and managing funds. The groups also have to deal with a lot of management systems like accounts, reporting on targets, time lines. Concentrating on these aspects is essential so that the members can handle business activities more effectively in future. Moreover, in the long run, working together and procuring inputs and marketing them also stands the members in good stead.

### Livelihood Programmes

- 1) Poor people have two basic principles for making choices for income generation programmes: regular income and low risk. For instance, in the tribal areas of Madhya Pradesh for a good poultry farm the people need to buy 500 birds but that involves too much of a risk so they settle for 300 birds instead. This affects the economy of scale.
- 2) Technology has to be demystified and made user-friendly. If there is a mushroom farm in a village, then we need to take the lab to the village and make the villagers understand how it operates. We have done this in some villages in Bihar and now villagers have low-cost labs of their own.
- 3) Financing has to be a mix of credit and subsidy. We cannot rule out subsidies for poor people. But what we need to do is to use these subsidies smartly. If you give Rs 10,000 to a group as subsidy you reduce its ability to become self sustainable. May be laying a road or setting up a chilling plant with the money would be more beneficial for the people. If you do this then the beneficiary does not feel that he is getting anything free.
- 4) Linkages like marketing and finance too have to be worked on. Management skills also don't come overnight. This is a long-term process and we need to work with individuals within the groups to achieve it.
- 5) Commercial viability of a project and the well-being of the poor are not contradictory terms but work hand in hand.

The most significant lesson that we have learnt over the years is that women and the downtrodden are capable of learning and eager to learn. If we take the initiative we get a tremendous response. Moreover, there is a need for a commitment from the higher levels so that there is policy level support at least for three to five years that it may take for groups to show some results.

### SHGs as a Pressure Group

Working together gives the group members a sense of solidarity that enables them to put pressure on the public sector and the police to get their work done. It also leads to confidence building of

*Technology has to be demystified and made user-friendly.*

*If there is a mushroom farm in a village, then we need to take the lab to the village and make the villagers understand how it operates*

*The most significant lesson that we have learnt over the years is that women and the downtrodden are capable of learning and eager to learn.*

*If we take the initiative we get a tremendous response*

*We have to work consciously at creating and strengthening second level linkages. But groups should start addressing such issues only after they have managed to achieve a position of strength*

*There are a number of other areas where the subsidies can be spent. For example, before technology is upgraded there has to be a certain experimentation for developing a model: this can be done with the money from subsidies*

**BEST PRACTICES  
IN GROUP DYNAMICS  
AND MICRO-CREDIT**

the members, which helps them later in entrepreneurial activities. Besides all this, the members also learn how to work with each other and take collective decisions.

We have to work consciously at creating and strengthening second level linkages. But groups should start addressing such issues only after they have managed to achieve a position of strength. The groups also need to have a stable savings and credit position and financial stability. The groups have to attain a degree of maturity before they can start addressing issues like gender. If the groups start addressing these issues before they have attained maturity there are chances that they will fragment. During this period, the external facilitators need to act as advisors and help in strengthening the cluster federation and establishing an independent status for the group. These external facilitators should act as sounding boards and should not take up a front line role.

### Discussion Time

**R.K. Gupta:** The Government has to encourage convergence at the group level.

**D. Narendranath:** All the lift irrigation programmes that we have undertaken in Bihar have been Government programmes. We have channelised them through women's groups. If there were four women's SHGs in an area we have brought them together. The DRDA money was deposited in their accounts and they spent it in whatever manner they wanted. These groups have also collected money from the villagers. Earlier we had some men's SHGs, but once SHGs dominated by women came up, we found that these are much better organised and managed. Some of them even have Rs 25,000 in their accounts as revenue they have earned through water pricing under lift irrigation programmes.

There are a number of other areas where the subsidies can be spent. For example, before technology is upgraded there has to be a certain experimentation for developing a model: this can be done with the money from subsidies. In our irrigation project we used the subsidies for providing free infrastructure. The pumps and pipes came free but the group had to pay for having them laid. Likewise, they had to pay for the seeds. We also built in a mechanism whereby the depreciation cost of the pump was included in the water charges so that after five to six years they will have the money to replace it on their own and won't have to run to banks for more money.

**M.K. Bhat:** There is a need for caution once the group reaches financial stability because sustainability is not possible without gender sensitivity.

**D. Narendranath:** The group has to be designed in a particular manner, and difficult issues should be addressed at a later stage.

## Micro-credit Plus And Convergence Of Services

Financial stability is the only tangible thing that keeps the group together.

I would also like to add here that for converging other services, the sheer number of groups is important. When we talk about solidarity it is assumed that the number of groups has to be high. At the block level if there are 200 to 300 groups they can successfully make themselves heard. At the district level also we need a minimum number of groups so that the administration can't do anything without discussing it with them. In this way the movement also gets institutionalised because if one group is not doing well then the others can take care of it.

***Shalini Prasad, Director, Mahila Samakhyas, MHRD and Kameshwari Jhadyala, Consultant, Mahila Samakhyas: Education for Women's Equality***

Unlike the groups that have been described here so far, Mahila Samakhyas is a purely educational programme. However, we do not look at education as literacy but as an ongoing process of learning. Our aim is to create a learning environment where women can make informed choices and can collectively affirm their potential. We also hope that through our programmes women can gain the strength to demand information and knowledge and critically analyse the issues before them.

We have created strong groups, or *sanghas*, at the grassroots levels that can take affirmative action through the *sanghas* and also set the pace, priority, form and content of the project activities that they wish to undertake.

While Mahila Samakhyas makes a number of interventions on issues like gender, health, education, access to natural resources and violence and legal issues, our primary focus is on education. We have placed a lot of emphasis on the formation of the *sanghas* and also on the way in which they function.

Though we converge with NGOs, our focal point has been the *sanghas*. All our activities are planned around the *sanghas* and these provide the space for women to meet and begin the process of discussion and analysis, and asking questions and articulating their needs. Initiating group savings as an activity was started about three to five years after a strong *sangha* had been formed. This was not a premeditated course of action but this need emerged from the groups that we work with. What they felt was that once the women were strong they could go to the banks and could handle their money.

In the context of savings, since it is not a structured process, we are facing a number of problems. For example, in some cases, the focus of the *sanghas* has shifted to savings and accounts, often overtaking other issues. At another level, we do not know what to

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*Our aim is to create a learning environment where women can make informed choices and can collectively affirm their potential*

*We don't want to focus only on savings because we started Mahila Samakhya with a different social agenda. Now we are looking at a federation of sanghas because the Mahila Samakhya intervention has been removed from some of the older groups*

*What we have also seen is that women are ready to come together on issues that are not necessarily economic. Our challenge is to make these women think about utilising the money*

**BEST PRACTICES  
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do with the savings. Should loans be independent or collective?

However, we don't want to focus only on savings because we started Mahila Samakhya with a different social agenda. Now we are looking at a federation of *sanghas* because the Mahila Samakhya intervention has been removed from some of the older groups.

### **Discussion Time**

A. Murali wished to know how the sustainability of groups could be ensured and what would the consequences be when Mahila Samakhya withdrew. K. Narender was concerned about the homogeneity and binding force behind the groups; he felt that very poor people could not understand social issues which might otherwise provide a focus.

**K. Jhadyala:** We have been working on this issue for a couple of years and the current thinking is that we should form federations at the block level. At the moment we have sanghas in every village and these meet at the cluster level of 10 villages where they discuss common agenda which does not necessarily have to be finance related – it can span social issues.

**K. Narender:** What is the binding activity of the group? Very poor people cannot understand social issues, so what keeps the group together?

**K. Jhadyala:** Poor women like to face and meet challenges and expand their horizons. These women interact with other women at the block level and with the Government at the village level. This has been our biggest challenge. We are a 10-year-old organisation and we started out without any savings or income generation activity. When we started dealing with the poor the first question we were asked was whether we were giving any loans or subsidies. We then tried to make the women understand what the subsidies given in the past had done for them, whether they had actually reached them.

Because ours is not an economic programme we manage to get women to understand the larger issues. And with or without economic activity we have 20 to 30 women in each village talking about larger issues and finance generating activities. What we have also seen is that women are ready to come together on issues that are not necessarily economic. Our challenge is to make these women think about utilising the money. In a market driven economy they need to understand the long-term perspective otherwise they will not survive. We want to build on the skills of women in areas like agriculture and land. In Bihar and Karnataka a lot of money is available and in one area we have Rs 12 lakh, but groups do not have options which are viable in the long run. The challenge is to identify viable options. In some other districts the

*sanghas* are thinking of forming banks. We do not have a blueprint and maybe four or five alternatives will emerge which we will follow in different areas.

With federations we are hoping to achieve two things: to address the larger social issues; and to channelise Government finances. Here we can perform the role of identifying the beneficiaries of these finances.

**N. Kabeer:** Often we treat poor men and women as similar whereas in reality both of them look at poverty very differently. Women are more averse to taking risks and need a lot of security. In Bangladesh we saw that, while conducting PRA, a lot of women bought jewellery out of their savings because this is one asset that they have a right to. Women, by and large do not want to invest in something that is risky.

**S.K. Parthasarathy:** Women also want to save as security for old age. Moreover, they look at investment as insurance for small ailments that they need to keep coping with.

**D. Narendranath:** Groups can be organised around these issues. When they are very poor they need solidarity but often this coming together can happen only when there is a *sahyogni* present. What do they talk about when the *sahyogni* is not present? If there is an economic initiative then they have something tangible to discuss.

**S. Vasudevan:** When do you decide to withdraw the *sahyognis*?

**S. Prasad:** We are still discussing the withdrawal process. It begins by cutting down the visits made by *sahyognis*. In some States we have withdrawn them totally and are watching the *sanghas*. We have seen that the women have continued to meet though it is early for any predictions.

**K. Jhadyala:** Several groups are taking on other roles as well. Some of them are involved in savings while others are taking on roles at the village level like dealing with issues like child labour, health, monitoring schools. We also have one or two trained health workers in each group. One thing that still puzzles us is what do these women discuss. But every day they have a new issue to deal with. The feedback that we are getting shows that the women are taking on a larger role with other organisations at the village level.

The problem of withdrawal of *sahyognis* is also more for us than for the women in the groups. We feel that we also need to network with the Government and the NGOs and we are looking at these aspects now. The *sanghas* also contribute a lot from day one. We do not provide them any transport when the women come for a meeting and they take care of even the food that is served. The

*With federations we are hoping to achieve two things: to address the larger social issues; and to channelise Government finances. Here we can perform the role of identifying the beneficiaries of these finances*

*The feedback that we are getting shows that women are taking on a larger role with other organisations at the village level*

*The basic idea behind IMY was creating groups of women and working with NGOs*

Mahila Samakhya investment in the *sanghas* is very low. We spend Rs 10,000 to Rs 15,000 per *sangha* per year. This includes management, administration, overheads, and payment to the *sahyogni* and all the training. Today we are covering 7,400 villages in eight States and 51 districts. An average membership of a *sangha* is 20 to 25 members. This is the core group in each *sangha*.

We are concerned about the future of those working as *sahyognis*. Some have formed their own groups and are now working as NGOs.

**A.M. Tiwari, Director, DWCD, MHRD: Indira Mahila Yojana**

We started Indira Mahila Yojana (IMY) in 1995 after a lot of discussion and debate. The then Prime Minister, Rajiv Gandhi, was very interested in starting the scheme. The two main models, which guided policy makers, were Mahila Samakhya (which was not dealing with micro-credit then) and DWCDRA (a low-cost programme involved with the mobilisation of women for micro-enterprise using the existing infrastructure).

The basic idea behind IMY was creating groups of women and working with NGOs. We thought of working with anganwadi workers, and what we had was Rs 500 per anganwadi centre, when the Planning Commission asked us to cut down costs. After considerable deliberation, Government approved Rs 5,000 per anganwadi centre towards awareness generation. Finally the Finance Ministry was the deciding authority on the amount that was to be paid to the NGOs. It fixed a ceiling of Rs 10,000 per block. No NGO came forward with this support. As such, the pilot phase of IMY was a disaster from the beginning.

The components of IMY as worked out in the beginning were:

- convergence of inter-sectoral services;
- income generation activities; and
- awareness generation.

The scheme proposed the forming of SHGs at the sub-anganwadi level and the Indira Mahila Kendra at the anganwadi level. Even Indira Mahila Kendra was given a one-time grant of Rs 5,000 for awareness generation and a one-time assistance of Rs 10,000 was available to NGOs per block. But even though this assistance was available, we did not know how to release it. We did not have any Indira Mahila Kendra to which we could have released the money. Eventually we transferred the funds to State Governments so that we could show in our records that the money for the project was utilised.

*The components of IMY as worked out in the beginning included convergence of inter-sectoral services, income generation activities and awareness generation*

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*Continued on page 43*

# HIGHLIGHTS OF THE WORKSHOP



The workshop on 'Best Practices in Group Dynamics and Micro-credit' was possible after a long process of introspection and experiential learning from the initiatives of the Department of Women and Child Development, such as the Indira Mahila Yojana and the Swa-Shakti Project. Our effort through this workshop has been to create a platform for ongoing debate, exchange as well as advocacy.

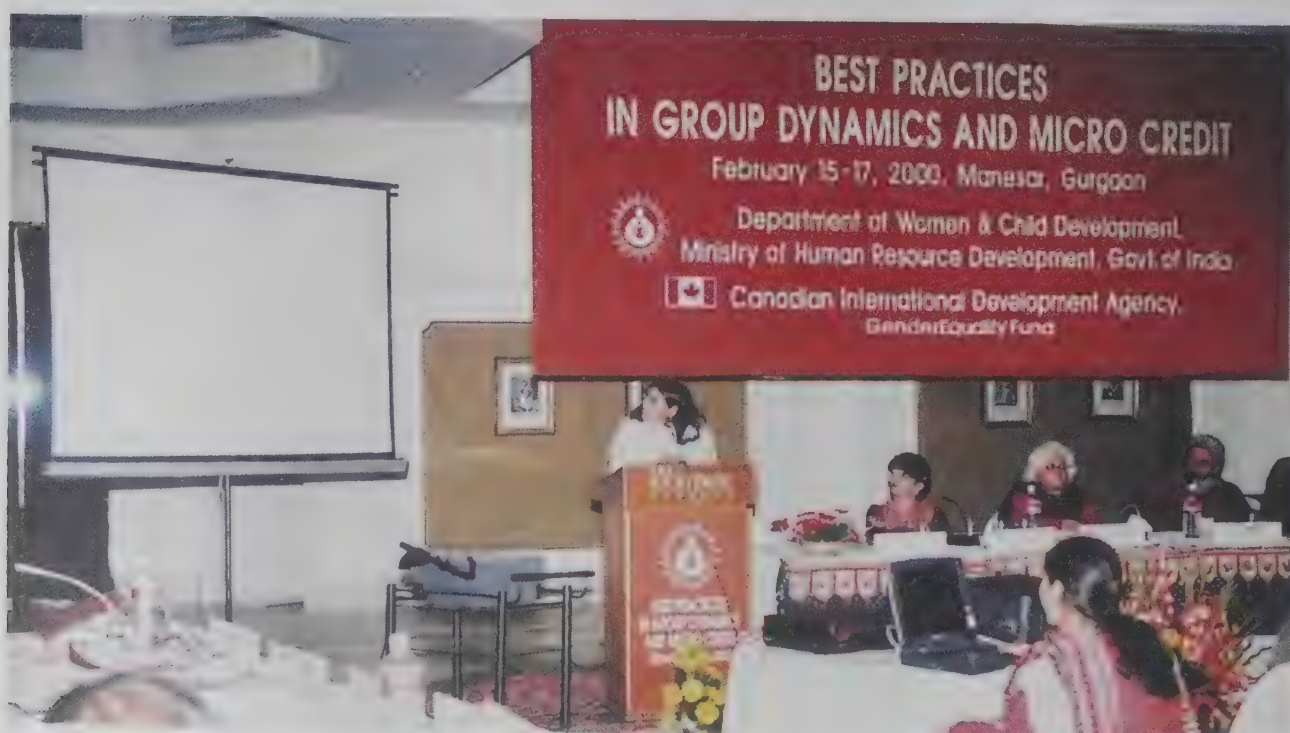
The Canadian International Development Agency's Gender Equality Fund played an active role in funding this initiative and helped create a proactive platform for exchange besides giving its inputs at crucial junctures





*The workshop  
was an outcome of  
the need for  
documenting the  
experiences of  
practitioners in this  
field.*

*The objectives of the workshop included the sharing and exchanging of experiences of practising organisations and creating an informal working network*



*Continued from page 38*

In the first year there was a lot of concern about the programme since there was no clarity. After one year we started some training and sensitising programmes and finally trained four to five times the number of people that were required. The idea was that many of these trainees would be transferred by the time the downstream training programme was planned.

After this initial phase, we found that:

- enhanced funding was required;
- there were many operational problems;
- properly trained persons showed good results;
- flexibility and participation had limitations;
- the convergence strategy had to be re-examined; and
- the District administration had to be involved in the process.

On the basis of these findings we learnt the following lessons:

- annual plans could become a good substitute to targets. However, such annual plans had to be strictly monitored and reviewed;
- quality control of the programme was important;
- social mobilisation cost had to be provided for;
- there was a need for a simple, flexible and strong follow-up;
- the participatory mode has to stop somewhere;
- in such ambitious social mobilisation schemes, a sequential process has to be followed;
- there was a lack of documentation of other initiatives and as such, not much guidance was available to the 'uninitiated'; and
- losses should be minimised by quickly changing the blocks where IMY was not progressing satisfactorily.

The best practices of the IMY are as follows:

1. comprehensive training programmes;
2. flexibility in implementation;
3. scope for local initiatives;
4. resource material development efforts;
5. networking amongst the implementers and other agencies;
6. revolving loan corpus which was non-subsidised; and
7. the women's component plan, which evolved as an offshoot of IMY, resulted in 150 schemes being implemented in Pune district.

When we found that four or five of these schemes were working well we tried them out in other States. Now the Planning Commission has accepted them in the Ninth Five Year Plan.

We are now proposing that under the recast IMY Rs 30 lakh should be committed from the Department which would be spent in two ways: (a) core activities like group formation; and (b) a flexible amount which could be spent on whatever is required for

*No NGO has been involved in IMY at a formal level because the assistance available to them was meagre. We feel that NGOs can be involved in group formation, awareness-building and resource mobilisation*

*Losses should be minimised by quickly changing the blocks where IMY was not progressing satisfactorily*

*The Government has to ensure that everybody gets equal opportunity. But it does not have the core competence to handle certain issues and therefore has to involve the NGOs. However, we need to be clear, where NGOs are to be involved, and what these core activities are*

*We have taken this line in the recast IMY. We have suggested that any organisation which has the ability to implement the programme, whether Government or private, should be involved*

women in the project block. We are also clear that no subsidy or individual benefits should be given. However, the Finance Ministry was not convinced with the flexibility that we were proposing in the recast IMY. As a result, they did not approve the flexible component and now we are struggling to get it restored.

No NGO has been involved in IMY at a formal level because the assistance available to them was meagre. We feel that NGOs can be involved in group formation, awareness-building and resource mobilisation.

### Discussion Time

K. Narender questioned the role of the Government, the NGOs and the community in the IMY and whether the Government should act more as a facilitator. He felt that there should be collaborations with NGOs for implementation of the IMY programmes.

Responding, A.M. Tiwari said, "We have been debating on this issue for three years. In our country, in the social sector all roles are interlinked. The Government has to ensure that everybody gets equal opportunity. But it does not have the core competence to handle certain issues and therefore has to involve the NGOs. However, we need to be clear, where NGOs are to be involved, and what these core activities are."

S.S. Sharma commented, "There is a lot of work that has been done under IMY but Mr Tiwari has only spoken of its limitations. A lot of training and sensitisation has been done and about 40,000 groups have been formed."

Other questions from Mamta Kohli and Soma Parthasarathy focussed on the participatory process and questioned the IMY promotion of SHGs. Soma felt that the group process has to be dynamic for it to be successful. It should decide its own agenda for it to become an organic process, which will lead to a demand process. "Convergence does not happen in a vacuum. We often tend to reduce people's lives to schemes which they fit into."

## Micro-credit Plus And Convergence Of Services

Concluding, A.M. Tiwari said that there were still a number of questions that are unanswered. "Is there a replicable model of convergence? Do we have a training strategy that works? Should the participatory process stop somewhere? Where?"

"We have taken this line in the recast IMY. We have suggested that any organisation which has the ability to implement the programme, whether Government or private, should be involved.

"This can be explained through an example. All of us know that education is a good thing but whether it should be part of a group's agenda even when the group does not ask for it. In the recast IMY we are trying to insist on the core issues; individual groups can decide the rest. We are, however, still debating on what the core issues should be.

"In the recast IMY a substantial portion of the funds are kept very flexible as we have realised that there cannot be a single watertight scheme for the whole country. This flexibility of fund-use should be built into all development schemes."

*"In the recast IMY a substantial portion of the funds are kept very flexible as we have realised that there cannot be a single watertight scheme for the whole country."*

THEME IV

# TRAINING, EVALUATION AND MONITORING, AUDIT AND ACCOUNTS

Chairperson

A.M. Tiwari

Panel

Dr G. Muniratnam, Namrata Bali, A. Murali,  
Sudha Kothari

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*RASS is a community-based organisation that started 18 years ago. It is operating in three States – Andhra Pradesh, Tamil Nadu and Orissa*

*Dr G. Muniratnam, General Secretary, Rashtriya Seva Samithi (RASS), Tirupati: Demystification of SHGs: RASS Experiences*

RASS is a community-based organisation that started 18 years ago. It is operating in three States – Andhra Pradesh (AP), Tamil Nadu and Orissa. Today, it has 32 programmes/activities, with a programme staff of 3,695, covering a population of 2.31 million in 3,540 villages, with a budget of Rs 72.08 million. We are sponsoring 11,000 children in AP and Orissa.

Since I am a grassroots worker, I work on logic so the first thing I questioned was the inability of the women to provide their children with nutrition. I thought the way out would be by starting income generation projects so that women could earn and look after the needs of their children. However, I needed details on how to start this project and got in touch with PRADAN, Delhi. I asked PRADAN to do a study on successful implementation of such projects and give me a report. PRADAN did a report on 32 projects, which are running successfully and independently.

We have empowered women, children, communities and families in backward and tribal areas. We have made holistic progress in the ICDS project; in fact ours was declared the best project. The Government of India directed State Governments to give 10 per cent of all projects to NGOs but this is not being followed in AP, or in many other States. My experience in facilitating SHGs has been better with the RMK as compared to NABARD, as red-tapism is less in the former. NABARD participated in meetings, appreciated our

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AND MICRO-CREDIT**

## Training, Evaluation And Monitoring, Audit And Accounts

ideology and principles and went away promising funds but never delivered, blaming their incapacity on the head office. To avoid such problems I suggest that uniform guidelines should be formulated.

The Government of India has powers and does often help but only 40 to 50 per cent of all that is promised is implemented. I disagree with a lot that has been discussed here. There are a lot of NGOs like mine who are capable of delivering convergence of services. I sincerely believe that families who live below the poverty line should get Rs 2,000 per month and I take the responsibility as a challenge to remove poverty and create models for everyone to follow. Rs 40,000 crore has been spent by the Government on power generation; for just a fraction of that we can successfully achieve poverty alleviation.

### ***Namrata Bali, Self-Employed Women's Association (SEWA): Capacity-building and Training***

SEWA has expanded to 11 districts of Gujarat, six States of India and to South Africa, Turkey and Lebanon.

[Based on a video film shown] This film is about Hiraben of Khodiar Nagar, Ahmedabad. She was married when she was nine years old to a cobbler. Hiraben met somebody from SEWA who invited her to become a member and opened an account for her. At this time she was a construction worker with five children who were all involved in remunerative activities; earlier she was a screen printer. Along with nine others she became a member and joined the SEWA academy for a short training programme. For the first time she held a pencil, drew a picture, saw herself on television and played classroom games. This empowered her enough to rethink about her own capabilities. At the construction site on Diwali, when offered a bonus of Rs 20, she refused and demanded parity with men. She got Rs 101.

She then went through another training course for five days. Interacting with other women on the same programme, she realised for the first time that there were many women like her, some with even larger problems and burdens. She was encouraged to take up elementary education, save for the future and construct her own house. Now she is taking autorickshaw driving lessons and says she will very soon come to SEWA in her own autorickshaw. This story shows how opportunity led to development and increased capabilities.

The SEWA Academy was started nine years ago with no guiding precedents except for the experiences of all those at SEWA. Much of the training is carried out here. At the village level we organise skill training programmes of one to one-and-a-half months.

*A film was shown about Hiraben of Khodiar Nagar, Ahmedabad. She was married when she was nine years old to a cobbler.*

*Hiraben met somebody from SEWA who invited her to become a member and opened an account for her*

*Poor women are eager and readily build on experience when given an opportunity. Organising them is therefore crucial*

*Exposure trips of one or two days to different villages as a form of training are very useful as the members can see how other groups are carrying out the same activity. This is also used as a platform for sharing experiences and building confidence*

*MMS bodies are implementing agencies which also function as information centres and convergence platforms*

**BEST PRACTICES  
IN GROUP DYNAMICS  
AND MICRO-CREDIT**

### Lessons Learnt

- Capacity-building has to be done in a planned and continuous manner.
- Poor women are eager and readily build on experience when given an opportunity. Organising them is therefore crucial.
- Training if well-designed is an effective tool for capacity-building. It broadens horizons and encourages women to take up diverse roles.
- Exposure trips of one or two days to different villages as a form of training are very useful as the members can see how other groups are carrying out the same activity. This is also used as a platform for sharing experiences and building confidence.
- Programmes should be designed according to their speed of learning and their work realities.

### ***A. Murali, Project Officer, SAPAP-UNDP, Mehboobnagar district, Andhra Pradesh: Experiences of SAPAP-UNDP Project with SHGs in Andhra Pradesh***

The UNDP project on poverty alleviation promoted social mobilisation through SHGs. The conceptual package was an overlap of social organisation, skill development and capital formation.

The institutional arrangement is a Mandal Mahila Samkhya (MMS) which consists of village organisations at the lower level and SHGs of 10 to 20 poor women as members at the grassroots level.

**Loan and interest structure:** There is financial mediation for each organisation. The system works through bank loans, working capital, own savings and interest. At the village level, people can draw on their corpus, loans and safe capital. When they get more capital, they reuse it for community projects like sanitation.

**Community specialists:** The village level groups have employed activists as facilitators such as livestock activists, village network activists, agricultural activists, village health activists, sanitation activists and education activists. More than 70 per cent of these activists are men.

**The village organisation:** The network of SHGs at the village level has several functions. These are: (a) to act as a nodal agency for SHGs; (b) to undertake coverage of left-over poor and the poorest; (c) financial intermediation; (d) guidance and monitoring of SHGs; (e) placement of village specialists and village development activists; (f) addressing social issues; (g) functioning as a pressure body at the village level; and (h) maintaining the office.

**MMS bodies:** These are implementing agencies functioning as: (a) information centres; (b) platforms for sharing; (c) federations of SHGs at mandal level; (d) pressure groups; (e) convergence platforms; and (f) promoters of self-regulation.

**Lending by SHGs:** Lending is on the basis of prioritisation of loans based on wealth ranking, facilitation of viability by community activists and facilitation of feasibility by coordinators.

### ***Sudha Kothari, Managing Trustee, Chaitanya: Monitoring Indicators***

In our rural credit project in Maharashtra, we were looking for some kind of monitoring chart. We used the UNDP's monitoring chart after adapting it in Marathi. After discussion with SHGs for participatory monitoring, we designed a monthly, as well as an annual feedback chart which monitors literacy, results of meetings and record-keeping, using pictures. The aim of the monthly chart was to project the minutes of and attendance at meetings, savings, loan disbursement, cash balance and insurance.

The aim of the annual report was to show changes in responsibilities, fulfillment of needs, position of the common fund, increase of income, external linkages, insurance, training, inter-group lending, audit, regularity of repayment and membership in local bodies.

Some indicators were monitored monthly and some yearly. The monthly review of the rural credit project in Maharashtra is pictorial and colour graded for easier visualisation of problems. One group member said, "We were green in the beginning and red at the end." It will take us a year to get feedback on this process since we are in the process of testing it but it has been successful in making group members realise its relevance as a basis for analysis.

### **Discussion Time**

Both Rita Sengupta and Soma Parthasarathy commented that monitoring systems made it possible for women to measure empowerment in their own lives. Rita also said Udyogini in Rajasthan, Bihar and Orissa in the WEMTOP programme had successfully used it over a period of five years and Udyogini had a kit for monitoring.

Mona Gupta wished to know at what stage participatory monitoring should be introduced. The consensus of the house was through proper facilitation, it should be introduced at the inception of a project.

*Some indicators were monitored monthly and some yearly. The monthly review of rural credit project in Maharashtra is pictorial and colour graded for easier visualisation of problems*

### THEME III

# MICRO-CREDIT PLUS AND CONVERGENCE

Group leader

S.M. Roul

Members

Soma Parthasarathy, Juthika Banerjee, C.A. Jacob, M.K. Bhat, Sudha Kothari, Raj Mohini Sethi, Gauri Gopinath, Rajiv Saxena, Indu Chopra, G. Muniratnam, Dhanashri Brahme

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*The SHGs' objectives and purposes should not be for just economic activity; a two-pronged strategy from inception is preferable to a credit plus approach*

The group agreed that the SHGs' objectives and purposes should not be for just economic activity and that a two-pronged strategy from inception is preferable to a credit plus approach.

They also recommended that a comparative study organised in cooperation with RMK, NABARD and SIDBI be undertaken on the impact of three approaches – only credit, credit plus, SHGs with a social and credit component. The choice of the organisation, they suggested, should be based on its experience and intervention in the field (three to five years).

#### **Convergence at multiple levels was recommended:**

- among SHGs at village level and among SHGs both horizontally and vertically beyond the village;
- among the NGOs;
- between line Departments and Government programmes at different levels and provision for a single window system; and
- among both donors and recipients of funding.

#### **The group recommended:**

- village-level SHG forums and apex bodies;
- a common analysis, a common understanding at different levels;
- a task force to coordinate different Departments, which should be a consultative mechanism and not have a top-down approach;

- a consortium approach; and
- definitions of the limitations in the role of the principal actors – banks, Government, donors.

### **On Best Practices, the group suggested:**

- the integration of both economic and women's empowerment programmes from the start-up level; and
- that NGOs be participative, transparent, gender-sensitive and that they mobilise local resources.

### **Overall Recommendations**

- Gender sensitisation for all those who are involved in promoting SHGs;
- Cross-Department coordination and a single window approach; and
- Accessibility of information for all.

*The participants emphasised that training should not be considered merely a project component, it is integral to the objective of capacity building and thus, should be both, intensive and interactive*



THEME IV

# TRAINING, MONITORING AND EVALUATION, AUDIT AND ACCOUNTS

Group leader

Members

R.K. Gupta

Sulochana Vasudevan, A. Murali, Namrata Bali, A.M. Tiwari, S.R. Sheshadri, K. Narender, N.G. Hegde, Madura Chatrapathy, Anand Bajpai, Modini Srinivas, Helen Thomas, Sam Thangaraj, Mona Gupta, R.K. Gupta, V.P. Singh, S.S. Sharma

When we talk about training, do we actually see whether the people have been trained? There has to be an assessment of the ultimate benefit of training

## Group Discussion

**S. Vasudevan:** The overall training strategy can be worked out through focus group discussions and for women it can be evolved through proformas. We also require knowledge, skill and training interventions.

**A. Murali:** The location should be conducive to learning. For instance, we use the mandal headquarters because there is a lot of disturbance in the villages and the message does not get across.

**N. Bali:** Working with groups over the years we have seen that experiential learning is the best, so there is ongoing evaluation of how the groups are performing. Internal learning/monitoring systems like maintaining a diary, a calendar or charts are useful for ongoing assessment. The best method, however, has to be determined by the group.

**A.M. Tiwari:** When we talk about training, do we actually see whether the people have been trained? There has to be an assessment of the ultimate benefit of training. But I agree that it is difficult to work out the actual costs of training. We need some readymade formula to work out the cost benefit of training once every six months or a year. When we train people under IMY we don't leave them after the training course. We keep sending onsite teams and modifying programmes so that training becomes an ongoing process. One single training process of ours lasts for one to one-and-a-half years and the results after that are fantastic. No other scheme has given such good results as the IMY.

## Training, Monitoring And Evaluation, Audit And Accounts

**S.R. Sheshadri:** Training is not a standalone activity. It is an integral part and an ongoing process. Your [IMY] model is the only one that ensures sustainability. Otherwise one goes for a training programme and with time the retention level goes down – first during the training itself and then after the person has gone back. So we need follow-up action as well.

**S. Vasudevan:** What we need is organised support. After people have been trained they should be able to apply that training on the ground. And then we should be given feedback. NIPCCD sends a proforma for groups to fill up and return to us so that we can monitor the progress.

### Conclusions and Recommendations

1. For ongoing assessment
  - Impact studies and surveys can be undertaken; and
  - Concurrent evaluation to find out the status and determine the quality of training should also be undertaken.
2. When to finalise the training content and methodology?
  - If the experiential method of learning is being followed then this becomes clear after a few experiences;
  - If you know the basic needs through the training needs assessment then the objective will follow;
  - After evaluation of pilot trials;
  - Suggestive modules can be evolved after experiential learning. Final content of the programme will come after these modules have been field-tested; and
  - There is no timeframe for finalising the training content and methodology. It may take four sessions or may even need 10 sessions with a particular group.
3. Developing a cadre of women trainers
  - Potential trainers from the group or from support organisations can be trained; and
  - Those from the local community who have potential and capability.
4. Training tools: All participatory tools such as songs, games, exercises, plays, simulations, drawings, wall posters, sketching and meals. Videos are also very useful.
5. Active participation in the training and use of the training tools and processes is necessary for the message to be understood and internalised. For example, if a play is the medium, then women must act in it for the message to get across.

### Cost-Benefit Analysis of Training Programmes

The cost benefits of the quantifiable aspects of the training programme can be assessed; changes in skill development and atti-

*What we need is organised support. After people have been trained they should be able to apply that training on the ground. And then we should be given feedback*

*Since training needs vary from person to person and group to group and inputs differ at each level, all of these must be kept in mind when a cost-benefit analysis is undertaken*

*A cost-benefit analysis through quantifiable indicators would reveal whether a group was maintaining its accounts, the number of women who had been enrolled, what the attendance in the meetings was and the number of groups that had been formed*

*Too many messages should not be conveyed at the same time. Some areas like legal issues and policy matters cannot be handled by training alone, expertise is built up over time with the help of specialists*

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tudes can only be gauged over a period of time. Since training needs vary from person to person and group to group and inputs differ at each level, all of these must be kept in mind when a cost-benefit analysis is undertaken and no single analytical parameter can be used.

A cost-benefit analysis through quantifiable indicators would reveal whether a group was maintaining its accounts, the number of women who had been enrolled, what the attendance in the meetings was and the number of groups that had been formed.

There should be an ongoing training programme with follow-up actions and refresher courses. The contents of the training programme should have a non-negotiable core, with additional areas added on according to the needs of the group.

Too many messages should not be conveyed at the same time. Some areas like legal issues and policy matters cannot be handled by training alone, expertise is built up over time with the help of specialists.

### **Some of the Training Tools Available:**

- sixty videotapes by SEWA which have different themes;
- set of charts by UNDP;
- participatory training manual by PRIA;
- films by DISHA;
- audiocassettes;
- gender training manuals; and
- training modules for trainers, district level officials and group members and leaders.

### **Gaps in Availability of Training Material:**

- Networking;
- Gender sensitisation for grassroots workers;
- Translations of existing material into different Indian languages;
- Material on book-keeping;
- Material suitable for all levels;
- Workbook on action planning for field workers;
- Success stories on women's struggles; and
- Case studies on convergence.

# DISCUSSION ON SMALL GROUP PRESENTATIONS

THEME  
III & IV

Dr Naila Kabeer

Chairperson

**S. Vasudevan:** In response to the need for a nodal agency to act as a clearing house, S. Vasudevan said, "NIPCCD is already performing the role of a clearing-house for the information that is available. However, it is collecting but not translating it into different languages. We have left this aspect to the States. But our dissemination too is restricted only to six States. If people are interested we can pass on the information that we have but translations will have to be done through individual initiatives."

**A.M. Tiwari:** We collected a lot of material under the Swa-Shakti Project but dissemination is a problem. The Micro-credit Development Bureau also has 40 publications, the list of which is ready but photocopying the list is expensive. If this list could be made available on a payment basis it would be acceptable. Alternatively we could put it on the website where everybody can see it with Internet access.

**M. Kohli:** We produce a lot of literacy books. The first time we thought we would distribute them ourselves but that didn't work so the second time we tied up with the publisher. We shared the costs and he distributed the books. Maybe the Ministry could look into this.

**A.M. Tiwari:** But that would also involve charging money. Collecting information is not a problem. If people pay for the information then that would be easier for us.

**S.R. Sheshadri:** This issue of payment can be resolved. If people value the material, then they will also be ready to pay for it. It is a sad situation that you have useful material but it cannot be used because of management reasons.

**M.K. Bhat:** We should play a proactive role in gathering and

*The Micro-credit Development Bureau also has 40 publications, the list of which is ready... If this list could be made available on a payment basis it would be acceptable. Alternatively we could put it on the website where everybody can see it with Internet access*

*We could identify NGOs in the States or others involved in development work to replicate the material. We have done this in Karnataka and Maharashtra and it does not cost much*

*We cannot have the same parameters for all parts of the country. Also, the money will vary according to the kind of groups that you are working with*

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distributing the information. A website is not universally accessible, especially in rural areas. We could identify NGOs in the States or others involved in development work to replicate the material. We have done this in Karnataka and Maharashtra and it does not cost much.

**A. M. Tiwari:** As Mr Gupta remarked right now, there is simply no way to assess the benefits in financial terms. In my discussions with FDC in Australia, they agreed that there should be an assessment, but it would be very difficult to quantify the real cost. I would request the house to debate after another five-six months and try evolving some readymade quick formula to quantify the cost.

Mr Tiwari asked K. Narender to clarify his conclusion on costing of SHG mobilisation. "We spoke about mobilisation cost for an SHG as Rs 6,000 to Rs 10,000. We have had a lot of debate on this subject in the Government because there are various models that are available out of which one is also a free model. I want to know how you arrived at this figure."

**K. Narender:** This figure is based on our own experience. We had to spend Rs 17,000 per group over a period of three to five years; this figure is based on actual costs including salaries of professionals and so on. But this figure is for nested institutions. If we take out the nested part and if the SHGs are being linked with banks then Rs 10,000 will work for 150 groups but what should not be forgotten is that this is a one-time grant. Lots of things can be recovered from the group over a period of time. For example, we need to pay the salaries of accountants for only six months. Maybe after five years, the groups will require no money. If there are 150 groups then during this time they will form other groups and will not need any money.

**S.S. Sharma:** Though this figure seems reasonable I think we cannot have the same parameters for all parts of the country. Also, the money will vary according to the kind of groups that you are working with. A three-year period is also too long because after one year, a group can access money from outside. The cost for the first year is fine, but I think we need to work out the costs for the second year separately.

**M. Chatrapathy:** On the issue of the right time for intervening agencies to withdraw, I will give two parallels. One is that of flying a kite against the wind. To begin with you need to pull it a lot but when it reaches higher you know you can let go and it will fly on its own. The same situation applies even to SHGs. The second example is that of teaching someone how to ride a bicycle. When the person who is learning has gained enough confidence you let go but then if he goes ahead and falls you can't say that you won't be there to help. You have to pick him up and help him heal the wounds. Like-

## Discussion On Small Group Presentations

wise you can't say exactly what is the right time for intervening agencies to remove themselves from the scene. Those who are in the field get to know, and by and large you have to go by feeling.

**N. Kabeer:** Most NGOs are not transparent nor participatory so they cannot communicate with SHGs. If NGOs expect husbands to be less patriarchal within the group, then what we need to find out is whether they practice this in their own lives.

**M.K. Bhat:** I agree that we take soft options when it comes to gender sensitivity. We need specific strategies to handle this issue. Even in this workshop, gender has not been highlighted.

**N.G. Hegde:** Additionally we need to find out how to handle men and bring them into the framework. We need to discuss some success stories where men have been initiated in the process of empowerment of women.

**M. Chatrpathy:** Another issue we need to look at is the continuation of the role of intervening organisations and intervening groups. When is it time for these organisations to withdraw? Are we sensitive enough to know which is the right time for withdrawal?

**M.K. Bhat:** Delegation of responsibility has to be done stage by stage. If the SHGs reach a self-sustaining level, then there is no need to spoon-feed them.

**N.K. Hegde:** To start with, SHGs need to deal with several social issues. Initially the focus need not be on finance; this is important in the later stages.

*Another issue we need to look at is the continuation of the role of intervening organisations and intervening groups. When is it time for these organisations to withdraw?*

# MANESAR RECOMMENDATIONS

Over 25 resource people had sent in articles which had been circulated before the workshop and this had provided the focus and resulted in an interface of ideas and experience. The concluding discussions had raised many issues of concern, but it had also provided options for further study and research

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At the end of more than two days of debate on issues of concern, the participants made some recommendations for the different stakeholders involved in the SHG movement.

## **MFIs/Banks/Other Financial Institutions**

It was felt that the micro-finance institutions needed to improve the quality of financial services, while developing flexible lending policies and enhancing outreach especially where banks fail to reach. They also need to play a role in building the capacities of their clientele to effectively access resources from the banks and other financial institutions.

It was also felt that banks too need to proactively assist SHGs and provide quality financial services while strictly monitoring their performance. And if banks had to play an effective role, the computerisation of RRBs was found to be a must.

It was also expressed that a directory of MFIs should be developed which would list useful publications, research studies, innovative activities in the area and the available training facilities. In this direction, NABARD was looked upon as playing a lead role in taking up documentation and impact assessment while piloting projects on cost-effective models and the convergence approach.

## **Training**

The participants emphasised that training should not be considered merely a project component, it is integral to the objective of capacity-building and thus should be both intensive and interactive. In the initial stages of group-building, the training focus should be on confidence-building, assertiveness and self-recognition of

potential and capabilities. On the whole, it was felt that the imminent need and contextual relevance should be well integrated in the training modules. A need was articulated for the development and easy accessibility of comprehensive training materials and manuals for all levels. Also, a directory on resource agencies and reputed and established NGOs/organisations in this field was considered a must.

Trainers were requested to pay keen attention to content and methodology of the training programmes while understanding that training of SHGs is a gradual process and should not be looked upon as a time-bound activity.

### Documentation and Research

Suggestions were made for focussed documentation of research and concurrent evaluation on the impact analysis of SHG-based models of micro-credit programmes. At the same time, research was also thought necessary to develop a model of empowerment of women especially for the otherwise economically developed States. It was felt that close monitoring of pilot projects targetting key issues should be taken up prior to scaling up of initiatives.

Promotion of information networks was thought necessary to strengthen the SHG movement. In this direction the creation of a website was considered an exciting initiative.

Also, considering the richness of varied experiences of the movement across the country, emphasis on skills in process documentation at all levels was found essential.

### Policy Environment

The policymakers' role was seen to be located in defining limits, boundaries and roles of different actors such as the Government, donors, MFIs, NGOs, SHGs, federations, etc. They also need to create awareness among the officials as to the empowering role being played by SHGs and the various innovations in this area across the country. The onus of operationalising convergence to allow optimum utilisation of resources by the needy was largely felt to be resting with the policy-makers.

It was felt that the Department's Micro-credit Development Bureau should facilitate a consultative process for evolving a national-level policy on the SHG framework, setting up a strong policy platform/advocacy lobby at the national level by involving different actors in this area.

Policy-makers were seen as especially playing a vital role in discouraging capital subsidies while focussing upon investment in capacity-building and strengthening of groups.

There is also a need to put in place a collaborative mechanism

*Trainers should pay keen attention to content and methodology of the training programmes while understanding that training of SHGs is a gradual process and should not be looked upon as a time-bound activity*

*The policy-makers need to create awareness among the officials as to the empowering role being played by SHGs and the various innovations in this area across the country*

*Policy-makers were seen as especially playing a vital role in discouraging capital subsidies while focussing upon investment in capacity-building and strengthening of groups*

*SHGs should be looked upon as a platform for all developmental activities and as going beyond the task of excavating demand to the optimal use of available resources*

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between Government and support agencies whereby it would be possible to undertake performance monitoring of NGOs.

### **Institutional Environment**

Participatory learning opportunities like the one provided through the workshop were thought to be vital. It was also felt necessary to develop a collective vision of the SHG movement with an ongoing process of dialogue to provide direction and make convergence possible. The strategy should also envisage a closer interaction with Panchayati Raj and other civil society institutions.

It was felt that institutions such as the Government bodies should facilitate the development of single-window information and dissemination system and promote closer collaboration amongst various programmes (IMY, RMK, Swa-shakti, etc) while advocating for the fellow Departments to work together for provision of services along with micro-credit focus. Inter-agency cooperation and coordination could gather momentum if a committee is formed under the guidance of the Chief Secretary concerned.

### **SHGs and Networking**

Various levels and types of networking patterns were suggested:

- intra-Government;
- among NGOs;
- among SHGs/federations;
- among different actors;
- information pooling/dissemination; and
- trainers/institutes.

It was suggested that SHGs get representation at Gram Panchayat level, federations at block and district levels, and that the regional networking concept further refined. A common system for audit and accounts could also be evolved to allow the development of networks of such systems in future.

SHGs should be looked upon as a platform for all developmental activities and as going beyond the task of excavating demand to the optimal use of available resources. This vision needs to be built in the movement to help SHGs in creating a strong institutional base. They should be able to play the role of social change agents in the overall development of the community.

### **NGOs**

NGOs were seen as a crucial link in facilitating the preparation of community action plan towards building people's institutions and creating strong linkages. Umbrella NGOs in women's empowerment field should be involved in converging training, thereby facilitating convergence. As opposed to donor-driven development,

it was felt that NGOs should work upon their strengths in capacity-building at the grassroots rather than credit delivery alone.

### Support Agencies

These agencies should facilitate the institutionalising of the monitoring of NGOs; close monitoring of programmes becoming a must. They also need to encourage the development of area-specific plans in order to promote the SHG movement. However, it was felt that while SHG-based initiatives should be considered, such institutions should be given the time to evolve rather than be created in a time-bound manner.

The support agencies also need to study options such as co-funding and consortium funding for self-help promotion. In addition, specific studies and best practice exchanges at even grassroots should be looked upon as key areas to strengthen the movement. In this direction, the impact assessment of the existing or past initiatives such as CCA, UBSP, IMY, SGSY, etc, could be studied and the learning points documented.

### Concluding Remarks

Thanking CIDA for its cooperation, the organisers and the participants, A.M. Tiwari remarked that the three days of debate had been a rewarding experience. Over 25 resource people had sent in articles which had been circulated before the workshop and this had provided the focus and resulted in an interface of ideas and experience. The concluding discussions had raised many issues of concern, but had also provided options for further study and research.

*The support agencies also need to study options such as co-funding and consortium funding for self-help promotion*

*Thanking CIDA for its cooperation, the organisers and the participants, A.M. Tiwari remarked that the three days of debate had been a rewarding experience*

## Annexure A

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## Annexure B

# SCHEDULE OF SESSIONS

Date: February 15, 2000

Session	Topic	Resource Persons
I	Registration Welcome address	A.M. Tiwari
II	Keynote address	Kiran Aggarwal
III	Introduction to the workshop	A.M. Tiwari
IV	<b>Theme I: Group mobilisation, Self Help Groups – their purpose and role</b> <ul style="list-style-type: none"> <li>● Presentation of representative papers</li> <li>● Discussion on the papers and other issues mentioned in the session guide</li> </ul>	Chair: Sarojini G. Thakur K. Narender Dr Ashwini Ghorpade M.K. Bhat Anand Bajpai
V	<b>Theme II: Micro-credit</b> <ul style="list-style-type: none"> <li>● Presentation of representative papers</li> <li>● Discussion on the papers and other issues mentioned in the session guide</li> </ul>	Chair: A.M. Tiwari Suryamani Roul Madura Chatrapathy Brij Mohan S.S. Sharma
	Small Group Discussions on Themes I and II	

Date: February 16, 2000

Session	Topic	Resource Persons
VI	<b>Theme III: Micro-credit Plus and Convergence of Services</b> <ul style="list-style-type: none"> <li>● Presentation of representative papers</li> <li>● Discussion on the papers and other issues mentioned in the session guide</li> </ul>	Chair: S.R. Sheshadri D. Narendranath Shalini Prasad Kameshwari Jhadyala A.M. Tiwari
VII	<b>Theme IV: Training, Monitoring and Evaluation, Audit and Accounts</b> <ul style="list-style-type: none"> <li>● Presentation of representative papers</li> <li>● Discussion on the papers and other issues mentioned in the session guide</li> </ul>	Chair: A.M. Tiwari G. Muniratnam Namrata Bali A. Murali Sudha Kothari
	Small Group discussions on Themes III and IV	

Date: February 17, 2000

Session	Topic	Resource Persons
VIII	Discussion on presentation made by small groups on Themes III and IV	Chair: Naila Kabeer
IX	Manesar Recommendations and Concluding Remarks	Contributions pertaining to the role of various stakeholders solicited from the participants

## Annexure C

# INDICATIVE GUIDE FOR SMALL GROUP DISCUSSIONS

**Theme I: Group mobilisation, Self Help Groups – their purpose and role**

### *Critical Issues:*

#### **a) Group mobilisation**

- Process of group formation – what are the best practices in this field?
- Different kinds of groups, their sustainability and record-keeping practices
- What are the best practices for management of groups and personnel?
- What is the range of time taken by the group to achieve a certain level of independence?
- What are the best practices for development of a cadre of grassroot women leaders?
- What is the real cost of SHG formation? How should it be ideally borne? Does it include the load on women in addition to their already disproportionate burden of work?

#### **b) Self Help Groups – their purpose, role and future**

The term SHGs brings forth an entire gamut of groups in its fold. Likewise, their formation and performance of activities may not follow a set pattern. Then, what are 'pure' and 'impure' groups? Do they have to be strictly homogeneous and voluntarily formed? How do they emerge? Can they be classified? Are they a lasting solution towards poverty alleviation?

Why have we not reached the poorest of the poor? Are the present range of entry point activities not the answer for their poverty or are our strategies not suitable to them? Is provision of wage labour the answer for this target group?

#### **Concluding discussions on:**

- listing out of the existing 'Best Practices' on the individual issues raised;
- finalising the views of the Group, options available, resources available within the country on individual issues raised;
- existing myths in this area – demystified through examples and cases;
- issues and areas of concern; and
- areas of further study and research.

### c) Federating

In order to sustain the SHGs beyond project period (planned intervention), the clusters and federations are being looked upon as nodal organisations, a guiding force for the small and isolated SHGs. But the question is

- What are the definitions, role, modus operandi for cluster formation, cost involved, timeframe strategy for forming networks?
- How to sustain the network, what should be their role and how should it evolve with imminent needs?
- What are the factors affecting sustainability of this network?
- What is the timeframe for the establishment of such a network?
- Can it effectively replace the intermediary in the long run?

In some cases savings are being contributed at all levels, thus the exact role of this network has to be debated in sustaining member groups. It is also necessary to study the role and viability of these federations vis-à-vis community-based organisations such as local Panchayats, NGOs and other groups.

Examples have shown that withdrawal of the NGO has not been possible despite the federation having been operational for a long time. Then where does the problem lie – in the NGO, within the leadership or inability of the federation to take on the responsibility of its growth? Would it remain necessary for the federations to look upon the NGOs as service providers to support them? Are NGOs willing to up this role after having nurtured the group since its inception?

### Theme-II: Micro-credit

#### *Critical Issues:*

#### a) Role of Micro Finance Institutions (MFIs)

- Role perception for RBI, RMK, NABARD and other MFIs
- Relationship with other formal financial institutions
- Legal framework for MFIs – should be regulated or not
- Costs involved – initially and at present
- Views of total costs – who bears the cost of group mobilisation?
- Viability of adopting the process of refinancing – is it subsidised?
- Is poverty alleviation addressed?
- Evaluation of its performance in terms of its present outreach
- Future role of NABARD, RBI and main MFIs
- Extent to which small loans contribute to plugging rural credit needs
- Transaction cost of lending, borrowing and using savings facilities
- Role of refinancing in poverty alleviation

## Indicative Guide For Small Group Discussions

### b) ROSCA movements in India

- Types of ROSCA movements in India – their role, procedures, etc
- Types of savings promoted by ROSCAs
- Members required for making ROSCAs viable
- Cost of managing ROSCAs
- Financial instruments adhered to by ROSCAs
- Can the instruments promoted by ROSCAs be adopted by the SHGs? What are the risks involved?

### c) Role of Intermediary Organisations

The field of micro-credit sees a host of intermediary organisations come into play – NGOs, MFIs, banks, the Government, support agencies and sometimes also the village-level local bodies such as the Panchayats. Each brings in its own interests, priorities and interactional patterns, giving rise to a number of questions in the context of women's Self Help Groups.

The emerging issues requiring clear answers are:

- What are their roles, practices, structures and are their mechanisms really geared to plug the gaps or create another level of hierarchy?
- What are the kind of donor influences exerted on these organisations? Are the donors invariably concerned with this field or are they sometimes chasing the trend? Are they truly viable?
- Is there a withdrawal strategy for the intermediaries? Is withdrawal always feasible? What are the existing models and their pitfalls?
- What are the purposes served by MFIs? Are they realistic in their approach? Does micro-credit lose its human touch when the repayment rate becomes the most important measure of success and then do they really reach the poorest of the poor?
- Are the effective interest rates to the final borrower really low, does the cost include the time taken to access the loan, distance from the house, etc?
- What could be the range of functions of SHGs?
- What are the frequent and rare types of savings – should the savings be collected in kind? Do the available savings instruments effectively take care of every type of savings requirements/situations of women members? How to address the problem of accumulated unused group savings?
- What are the variations for withdrawal of savings? Should the period of savings be fixed? In case of migration of individuals what should be done?
- What are the most common and other emerging instruments of savings, loans and insurance (anything else?) What are the regional and cross-cultural variations?
- Do subsidies create irreversible dependence? What is better for the group in the long term – the creation of a revolving fund by the intermediary or recourse to subsidies?
- Have traditional structures of accumulating village funds withered with the introduction of SHGs or are those practices being revived and incorporated in present systems?
- To what extent does micro-credit plug rural indebtedness? Do traditional moneylenders still enjoy a flourishing business? Can SHGs rival the traditional moneylender?

### Concluding discussions on:

- Listing out of the existing 'Best Practices' on the individual issues raised;
- Finalising the views of the Group, options available, resources available within the country on individual issues raised;
- Existing myths in this area – demystified through examples and cases;
- Issues and areas of concern; and
- Areas of further study and research.

### Theme III: Micro-credit Plus and Convergence of Other Services

#### *Critical Issues:*

##### a) Micro-credit Plus

Despite the positives of micro-credit, it is still found to be distant from the real agenda of women. Where success is measured by recovery rate and focus is on immediate gain, we seem to have forgotten the role of SHGs as vehicles for women's empowerment. A significant change in the social status of women is not being pursued as a definite aim by many in this field, believing that such a change would be a logical fallout of their economic independence. The questions which should be addressed are:

- Are we aiming to alleviate poverty only in its economic terms?
- Do the lack of access and control over resources other than economic ones signify poverty and does it need to be alleviated through targetted efforts or causal ones?
- The impact of micro-credit needs to be assessed more deeply by assessing the impact on
  - The quality of life of the women,
  - Their role in decision-making, in making life choices,
  - Enhanced role in the community,
  - Improvement in delivery of services to them, and
  - Enhancement of capacities
- It needs to be answered whether the 'plus' of the micro-credit is only an appendage or its aspects are consciously targetted from the initiation of the programme.

#### **The small group discussions concluded based on the following aspects:**

- Listing out of the existing 'Best Practices' on the individual issues raised;
- Finalising the views of the Group, options available, resources available within the country on individual issues raised;
- Existing myths in this area – demystified through examples and cases.
- Issues and areas of concern.
- Areas of further study and research.

### b) Convergence

The potential of micro-credit related activities has been tested through various models in effectively mobilising women to plug their economic needs. In addition, an unsteady step forward is being taken through models aimed at convergence of the programmes at the group level. The idea is yet to take firm root.

It is necessary to compare the integrated vs convergent approaches to highlight their similarities and differences as well as positive and negative features to arrive at a replicable formula, if considered feasible.

- Is social and economic empowerment really an issue in such interventions?
- Concept of convergence,
- Modalities for its operationalisation, role of Government agencies, NGOs and the community (especially the grassroots workers),
- Sensitisation of the implementation machinery,
- Sustainability of the approach beyond isolated individual initiatives,
- Replication of the approach,
- Contextual issues, if any, and
- Possible reasons for the failure of the approach.

What is the kind of research available on the efforts at convergence through Community-based Convergent Services, Community Convergent Action, Urban Basic Services Project, etc?

## Theme IV: Training and Capacity-building

### *Critical Issues:*

#### a) Overall training strategy for Self Help Groups

How should training needs be determined, ongoing assessment of training needs, how and when to finalise training content and methodology, subsequent modifications based on trainees' (women's) perception, development of a cadre of women trainers, upgrading their skills, how to assess the performance of trainers, cost-benefit analysis of the training programmes, training tools, role of audio-visual aids – use of local media and other elements of crucial importance.

#### b) Capacity-building

Sustaining a programme would mean the creation of a cadre of able leaders at the local level, which by far becomes the most crucial aspect for the programme to take on a life of its own. However, experiments (or experimenters/practitioners) on training modules continue to debate the vital areas of training, contents of training programme, its different phases, training material and with each project, newer insights come to the fore.

Questions emerging from this ongoing debate not only refer to the training in the context of why, how, for whom, but also at what cost. The following questions need answers -

- What standard and appropriate materials are available for wider use?
- How could local knowledge be tapped to make the training context-specific, and is it (always) feasible to do so?
- Which are the areas one can't tackle through training?
- How to choose the contents of the training module so that they are most suitable to the trainees' needs? Is training need assessment the answer or are there other methods?
- Should there be a non-negotiable 'core' and flexible peripheral areas (context-wise)? For example, how much flexibility should be available to address the felt needs of women during training and how much training should be compulsorily provided (if at all), even if the need is not perceived by the trainee (for example, literacy, health education, etc)? Are such areas to be targetted through training?

### **Concluding discussions on:**

- Listing out of the existing 'Best Practices' on the individual issues raised;
- Finalising the views of the Group, options available, resources available within the country on individual issues raised;
- Existing myths in this area - demystified through examples and cases;
- Issues and areas of concern; and
- Areas of further study and research.

## Annexure D

# FEEDBACK ON THE WORKSHOP

A comment that spanned all the categories was the shortage of time to arrive at meaningful decisions, owing to too crowded a schedule.

### DESIGN

The overall view was that it was a well-designed effort. Comments for improvement ranged from suggestions that the workshop should have focussed more on issues, particularly gender issues, rather than activities.

Several participants felt that there should have been more sub-group discussions, remarking that there had been a lot of sharing, but consolidating the wide range and variety of information was less effective. Within the time available there had been too many papers and presentations to allow for meaningful discussions.

### CONTENT

The consensus ranged from very good to good, but there were comments that the workshop covered too wide an area, and too many presentations left insufficient time for group work. Several participants also felt that there should have been more emphasis on group dynamics and on empowerment and its effect on individual lives.

Suggestions that merited consideration were that gender and sustainable interventions on strategies could have been taken up in one session and a panel of facilitators would have been helpful. Most participants commended the Department for being radical and flexible and ensuring good exchanges between Government and non-Government.

### CONDUCT

Most participants felt that it was very good, participatory and lively and meticulously conducted.

However, there were some who were critical and claimed it was too structured, and sloppy on time management allowing too little time for experience sharing. A critical observation was the absence of line Departments from the Ministry.

### PRESENTATION

All in all, the comments were favourable.

Some of the presentations, particularly those based on experiences, were very good. Participants also felt that more time should have been given to MFIs.

### WHAT FOLLOW-UP NOW?

This category received the maximum response.

- To prioritise suggestions and plan operationalisation
- Setting up a task force involving different actors/those involved
- Sharing the results with other project people
- Starting experimenting the other successes
- Meeting once in six months, and organising more such workshops
- Institution of a committee on 'Best Practices in SHGs' as a pressure body on policy-makers
- Ideas generated should be documented and followed up at appropriate forums
- Sharing, feedback, collaboration, networking, sending list of publications and documentation to other organisers
- Recommendations to be vigorously followed up and put into practice
- Suggestions received should be implemented soon
- Focus on evolving a collective vision and goals with other departments/NGOs so that mechanisms for coordination evolve with role clarity
- Dialogue with different Ministries/Planning Commission towards the recommended sensitisation
- Publication of 'Best Practices'
- Incorporation of suggestions at the policy level, and specially within Swa-Shakti, which is process-oriented and flexible at this stage
- DWCD could be a focal point for sharing and learning

### STAY AND LOGISTICS

Participants responses ranged from finding it 'excellent' to 'very good', but a few did feel that the evenings should have been planned better for greater interaction.

# MFI's

BANKS - PROACTIVELY  
SEEK OUT, ASSIST  
SHGs, EVALUATING THEM  
STRICTLY

MFI's  
DIRECTORY OF  
MFI's → Publication  
→ ACTIVITIES  
→ RESEARCH STUD  
→ TRG. FACILITIES

MFI - REACH OUT  
REALLY TO PLACES WHERE  
THE BANKS DO NOT

MFI - PLAY A CAPACITY  
Bldg ROLE OF PREPARING  
CLIENTELE FOR BANKS

MFI's - IMPROVE QUALITY  
OF FINANCIAL  
SERVICES - DEVELOP  
FLEXIBLE LENDING  
POLICIES

NABARD - TAKE UP DOCUM,  
IMPACT ASSESSMENT, PILOT  
PROJECTS ON COST REALIZATION  
MODELS, CONVERGENCE  
MODELS

MICRO CREDIT  
THE NATIONAL  
FINANCIAL  
INSTITUTIONS  
SHOULD ROUTE  
ALL THE MICRO  
CREDIT ACTIVI-  
TIES THROUGH  
ONE NATIONAL  
LEVEL ORG.  
UNIFORM RATE  
OF INTEREST;  
UNIFORM POLICY  
NGO FACILITIES  
ROLE -

## DEPARTMENT

ROSCAs NEED  
TO BE POPULA-  
RISED AS SELF-  
HELP GROUPS  
FOR MOBILISING  
MICRO CREDIT  
and SOCIAL  
Empowerment

### ROLE OF GOVT

1. GOVT. OF  
INDIA  
SHOULD DIRECT  
THE STATES  
TO CHANNELISE  
POVERTY  
ALLEGATION  
AND SOCIAL  
DEV. ACTIVITIES  
THROUGH SHGs

ONLY POLICY GUIDELINES,  
STRENGTHENING CONVERGE-  
NCE, PUT OWN HOUSE  
IN ORDER  
(ROLE OF GOVT)

TO Special Projects (Swashakti,  
SADAP  
IMY)

Don't own the SHGs  
too much just build  
Capacity and facilitate Convergence  
POLICY

## WOMEN

### FRIENDLY

To Policy makers,  
Orient and Train top  
level officers Dm/Secy level  
on SHGs, <sup>gender</sup> discrimination

DEPARTMENT:  
FOCUS ON NETWORKING + FEDERATING OF  
EXISTING 2 SHGs TO PROMOTE CONVERGENCE  
OF MICRO-PLANNING FUNCTION AT  
VILLAGE / BLOCK / DISTRICT LEVELS

To Dept.  
Find out mechanism/resources  
to provide facilitation support  
at group level regularly for a  
required period. Similarly to  
networking.

## DEPARTMENT

Should promote cluster collaboration  
its various programs (int, ext)  
and lobby its fellow departments  
together for provision of micro-credit

# NGOS

TO NGOS

DON'T BE PART OF  
Executive Committee/office  
bearer of any federation  
of SHGs at any level.

NGO - WORK ON OWN  
STRENGTH - CAPACITY  
BUILDING, NOT FINANCE  
DELIVERY

NGO - WORK ON  
BLDG PEOPLE'S INSTNS,  
AND CREATING LINKAGES

BETTER PERFORMING  
NGOs

BE LISTED & PUBLISHED

UMBRELLA NGOs in  
WOMENS EMPOWERMENT  
FIELD SHOULD BE  
INVOLVED IN CONVERGING  
TRAINING

# TRAINERS

Documentation  
and Research:

The website is an  
important and  
exciting initiative.  
Hand-in-hand, more  
accessible modes  
of information  
sharing should be  
explored, & involving  
civil society.

Training:

is NOT a project  
component; it is  
integral to the  
objective of capacity  
building. It should  
be intensive,  
iterative and  
interactive.

Documentation & Research

Transfer of working capital in  
women's hand rather than asset  
building as indicator of Empower-  
ment.

(K. G. K. G.)

TRAINING

A DIRECTORY OF RESOURCE AGENCIES  
TO BE COMPILED AND  
DISSEMINATED

Involve Schools of Social  
Work & National Service Scheme  
for spreading/strengthening the SHG  
movement

Information Networks promoted  
across the country to  
strengthen the SHG Movement

Documentation of Different  
capacity building efforts  
& its follow up.

TRG.

IN THE INITIAL STAGES  
i) the focus should be on  
Confidence Building,  
Assertiveness and self-  
recognition of potential & capabilities

NATIONAL LEVEL

SHG NETWORKING  
MAY BE GIVEN A  
THOUGHT

DOCU. & RESEARCH

RESEARCH TEAM

NGOs.	RMK	WORKSHOP
Donor.	NABARD	RESEARCH
Govt.	SEDBI	TOPEL & REVIEW
	CONSULTANT	